THE Freeman

IDEAS ON LIBERTY

MAY 1964

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# WATCH THAT LOW BREAKING STUFF

JESS RALEY

THE PARLIAMENTARY PROCEDURES to which I'm regularly exposed as an "after dinner" speaker are usually routine. But last evening was a notable exception.

Of the forty-six present, all seemed to be men of affairs. The food and fellowship were first-rate. What a fine audience and setting for my speech, I was thinking, when an item in the order of business caught my attention.

A motion to participate in a "get out and vote" campaign was being debated on the floor. I happen to believe that an individual's right to vote includes his right not to vote, if no candidate or issue involved seems worthy of his endorsement. Superficial appeals to vote for anybody or anything grate on my nerves like the sound of a dull rasp on a rusty nail. So I forgot my speech to listen.

Three or four persons spoke briefly in favor of the motion; the majority didn't seem to care one way or another. I was thinking bitterly that it would pass with no word of opposition, when a large, stoop-shouldered man was recognized by the chair. He seemed to be just a bit embarrassed but very determined; and when his purpose became clear, I hung on every word.

"Gentlemen," he said, "I play to win, and I'm not one bit ashamed of it. I like to win, hate to lose. Now, I don't always win, but I always aim to. There have been a few times that I beat myself but I'm not noted for this; it generally takes a stronger team to do the job. When I lose to a stronger team, it cuts pretty deep, but

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the games I have lost by my own stupidity are a hundred times worse.

"Of course, most of you gentlemen know this. I am a charter member of the club and have coached our youth's baseball teams for many years." The coach was perspiring freely by this time. Obviously, he found it difficult to find the words he wished to use, but his determination had not diminished in the least. He unbuttoned his coat, straightened his tie, ran a finger around between his neck and shirt collar, and plunged in again.

"Gentlemen, if I understand this motion, it states that we will spend a certain amount on newspaper, radio, and television advertising in an effort to persuade people, who might not do so otherwise, to vote. In addition to this we would offer our services on election day to haul anyone who called to the polls and back. Well, I am one hundred per cent opposed to this motion. It's not that I mind spending the money, you understand, and I haul a whole ball team, with spikes, in the car, so it's not that. But – well – a thing like that could beat you, and I'll show you how.

"The boy who must be pressured into playing baseball, the one you have to hunt down and take to practice, call before each game to make sure he doesn't forget about it and go swimming, is going to hurt you more than he helps. I've seen boys of this type who had a world of talent; but if they have no interest, I don't want them on my team. It's the boy who can't be kept from playing, the one that starts calling the first pretty day after Christmas, wanting to know when practice starts, that will win ball games for you.

"In baseball our goal is winning the game, and the only way to do this is to score more runs than the opposition. Before a player can score, he must get on base; one of the better ways to accomplish this is a base hit. Now, each batter has the right to strike at any pitch delivered to the plate, but how many games do you think we would win if players were not taught to judge a pitch? What kind of coach would I be if I inhibited the efforts of a few determined players by rounding up a group of boys who refused to take time to learn anything at all about the game, and inserted them in my lineup with no instructions except that they had the right to swing at every pitch?

"Sounds stupid, doesn't it? Not only would we lose every game we played, but when the opposition discovered the brand of ball we were playing we would never get another decent pitch to hit at. They could afford to walk our ex-

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perienced players, knowing the others would strike out and leave them stranded.

"Gentlemen, I vote to win just the same as I play ball to win, and I'm not ashamed of that either. The goal I hope to reach – the thing I hope to win by voting or refusing to vote, is better government. To me, better government is less government, more individual responsibility, less restraint on free enterprise, but I am not going to make a political speech. What I do want to say is this: A citizen that must be persuaded into voting will contribute as much to winning or maintaining constitutional government as a disinterested, uninstructed player will contribute to winning a ball game.

"This matter of voting is serious business, gentlemen. I know from talking with people and hearing others talk that the vast majority want about the same kind of government I want, but we are not getting it. As a matter of fact, we are getting further from it all the time. Now, if there were two clearly defined political parties, one for those who favor republicanism and one for those who want socialism, the voters' task would be easy, but this is not the case.

"Within each major party we find old-line, new-line, and what-a-line. Then we have the Northern, Eastern, Southern, and Western factions. There is also a liberal and a conservative element within each party and local branch. Even more confusing is the fact that many liberals wish to maintain the present trend or existing conditions, while conservatives generally hope to change quite a few things.

"From the little I have been able to observe, I know there is no easy way to understand politics. Many people are upset by government action from time to time and set out determined to do something about it, but it is not unusual to find these same people voting for the very same factors they have sworn to defeat.

"Personally, I try very hard because I am vitally concerned. I study the issues, ideology, and records, but in spite of this, I still go for the low, breaking stuff occasionally. Not often, you understand, but often enough to keep me on my toes.

"Now, if a man who devotes considerable time to politics finds it difficult to determine how he should vote, how can you expect one that must be pressured into voting to cast an enlightened ballot? On the other hand, if it makes no difference to you how a man votes, as stated in this motion, I don't see how it could possibly make any difference if he votes or not. So why should we spend our

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time and money to see that he does?

"Just one more thought, gentlemen, and I'll sit down. You can see, I am sure, how stupid this theory would be in a ball game. I don't believe there is a man here who would think of using it on the ball field. Now, gentlemen, it seems to me the real question is: What is more important to you, winning the kind of government you want or winning a ball game?"

The motion was killed unanimously. I delivered the briefest talk of a long career, primarily noted for short talks, and drove home feeling sure that I knew exactly how Elijah felt when he found that his was not the only knee that had refused to bow to Baal. ◈

## *Formal Justice*

A PRINCIPLE of the widest application in ethics and politics as well as in economics, which may be described as the principle of formal justice, has begun to operate in a remarkable manner. A government which lends its power and assistance to one set of people must be prepared to act in a similar manner in all similar cases. If once this principle is abandoned, governmental action becomes either a matter of chance or depends upon clamour and jobbery.

It is wonderful how quickly the human mind discovers analogies in grievances, and how soon one cry leads to another. Microbes are not more rapid and relentless in their multiplication. A plain man may have his doubts about the similarity of triangles and consent to arbitration on the question, but he has no doubt that for the purpose of governmental grants and aids his needs are similar to his neighbour's. And the plain man is right. How can we justify the use of state credit for the purchase of lands in Ireland and fishing boats in Scotland if we are not prepared to give similar aid to the poor of England who are similarly situated? If we grant judicial rents in the country why not in the towns, and if we fix by law one set of prices why not all prices?

From *The Reaction in Favour of the Classical Political Economy* by Professor J. Shield Nicholson, M.A., Nottingham, September, 1893.

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MARIO A. PEI

WHEN I first came to America, many years ago, I learned a new meaning of the word "Liberty" – freedom from government.

I did not learn a new meaning for "democracy." The European country from which I came, Italy, was at that time as "democratic" as America. It was a constitutional monarchy, with a parliament, free and frequent elections, lots of political parties and plenty of freedom of religion, speech, press, and assembly.

But my native country was government-ridden. A vast bureaucracy held it in its countless tentacles. Regardless of the party or coalition of parties that might be in power at the moment, the government was everywhere. Wherever one looked, one saw signs of the ever-present government – in the uniforms of numberless royal, rural, and municipal policemen, soldiers, officers, gold-braided functionaries of all sorts. You could not take a step without government intervention.

Many industries and businesses were government-owned and government-run – railroads, telegraphs, salt, and tobacco among them. No agreement, however trivial, was legal unless written on government-stamped paper. If you stepped out of the city into the country and came back with a ham, a loaf of bread, or a bottle of wine, you had to stop at the internal-revenue barriers and pay duty to the government, and so did the farmers who brought in the city's food supply every morning. No business could be started or run without the official sanction of a hundred bureaucrats.

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Young people did not dream of going into business for themselves; they dreamed of a modest but safe government job, where they would have tenure, security, and a pitiful pension at the end of their plodding careers. There was grinding taxation to support the many government functions and the innumerable public servants. Everybody hated the government – not just the party in power, but the government itself. They had even coined a phrase, "It's raining – thief of a government!" as though even the evils of nature were the government's fault. Yet, I repeat, the country was democratically run, with all the trappings of a many-party system and all the freedoms of which we in America boast today.

America in those days made you open your lungs wide and inhale great gulps of freedom-laden air, for here was one additional freedom – freedom from government.

The government was conspicuous by its very absence. There were no men in uniform, save occasional cops and firemen, no visible bureaucrats, no stifling restrictions, no government monopolies. It was wonderful to get used to the American system: to learn that a contract was valid if written on the side of a house; that you could move not only from the city to the country but from state to state and never be asked what your business was or whether you had anything to declare; that you could open and conduct your own business, provided it was a legitimate one, without government interference; that you could go from one end of the year to the other and never have contact with the national government, save for the cheery postman who delivered your mail with a speed and efficiency unknown today; that there were no national taxes, save hidden excises and import duties that you did not even know you paid.

In that horse-and-buggy America, if you made an honest dollar, you could pocket it or spend it without having to figure what portion of it you "owed" the government or what possible deductions you could allege against that government's claims. You did not have to keep books and records of every bit of income and expenditure or run the risk of being called a liar and a cheat by someone in authority.

Above all, the national ideal was not the obscure security of a government job, but the boundless opportunity that all Americans seemed to consider their birthright. Those same Americans loved their government then. It was there to help, protect, and defend them, not to restrict, befuddle, and harass them. At the

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same time, they did not look to the government for a livelihood or for special privileges and handouts. They were independent men in the full sense of the word.

Foreign-born citizens have been watching with alarm the gradual Europeanization of America over the past twenty years. They have seen the growth of the familiar European-style government octopus, along with the vanishing of the American spirit of freedom and opportunity and its replacement by a breathless search for "security" that is doomed to defeat in advance in a world where nothing, not even life itself, is secure.

Far more than the native-born, they are in a position to make comparisons. They see that America is fast becoming a nineteenth-century-model European country. They are asked to believe that this is progress. But they know from bitter experience that it just isn't so. ◈

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IDEAS ON LIBERTY

## *Milk on the Doorstep*

"IT IS REMARKABLE," comments George Schwartz, an English writer, in an article in *The New York Times Magazine*, "how many people can see no sense in the existing order of Western society, the easiest criticism of which is that it is not order but disorder. With the milk on the doorstep every morning, the free economy is denounced as unplanned, uncoordinated, and chaotic."

It is a valid observation. There are countries – notably Russia – that have all the necessary material resources but still can't get the morning milk to the doorstep. Their society's system of production and distribution is fully ordered, carefully blueprinted by government experts. But they have the plan and no milk while we have the milk and no plan.

The fact is, of course, that our economy does not exist in disorder. In the milk business, to take the everyday example mentioned by Mr. Schwartz, there are literally thousands of individuals – farmers, truckers, processors, and salesmen, and the thousands more who are their suppliers – who make the major or minor decisions that get the milk to the doorstep, and earn a profit in the process. No group of government experts could equal the input of knowledge, industry, flexibility, and efficiency that is the combined total contribution of all of these individuals.

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# HONG KONG

## NOTHING BUT COMMON SENSE

*With no minerals, no oil, no agriculture, and not even an adequate water supply, Hong Kong is bursting with activity and growth.*

*How come? Nothing more than a common-sense faith in a free market unfettered by government intervention! An economic bright spot on the face of the earth where people can freely produce and exchange!*

*What will happen now that these people are prosperous? Will they continue to buck the socialistic tide of the twentieth century? — Or imitate the U. S. A.?*

Reprinted by permission from *The Morgan Guaranty Survey*, November, 1963.
*Illustration: Monkmeyer Press Photo Service.*



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PERCHED at a tiny crack in Red China's bamboo curtain is a bustling, prosperous enclave of free enterprise. This is the British Crown Colony of Hong Kong, a "crossroads of the Far East" to travelogue audiences and a center of trade and finance to internationally-minded businessmen.

Location early made Hong Kong a main channel for trade between the Western world and China. A tradition of holding governmental regulation to a minimum has made it a preferred haven for capital, a lively center of financial dealing, and an active and versatile foreign-exchange market. Over the past decade or so, the Colony has added important new ingredients to its economic mix. A busy complex of light industry has sprung up, with products running a gamut from textiles to transistor radios. Tourism has taken on a new dimension, aided by regular shore-leave visitations by personnel of the United States Asian fleet. And, spurred in part by the new diversification, there has been a major building boom.

With the new mix has come a marked spurt in economic growth. Hong Kong does not tot up an estimate of gross national product, but there are ample indications that things are going well. Foreign trade has risen sharply, with both imports and exports up about 34 per cent in the past three years. The Colony's 398 square miles (not much more than the area of New York City) are dotted with new construction: hotels, high-rise apartments, schools, factories. And the economy has managed to shelter a million refugees from Communist China since 1949.

All this has happened in a *laissez faire* environment that contrasts sharply with the government-action formula with which most nations of the world are pursuing economic growth. Hong Kong's foreign trade is almost entirely free. Import duties — imposed to collect revenue, not to restrict the movement of goods — apply to only five groups of products: liquor, tobacco, hydrocarbon oils, table waters, and methyl alcohol. Except for sterling, which is restricted under British Commonwealth rules, currencies may be transferred readily; there are both a "free" and an "official" market. In the free market entry and exit of capital are unrestricted; establishment of new businesses is not inhibited; foreign investors may take out profits and capital at will. The corporate tax rate on profits earned within the Colony is 12½ per cent; profits earned overseas are tax-free even when brought home.

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To accomplish its special brand of postwar economic wonder, Hong Kong turned adversity – the influx of refugees from Red China – into an advantage. During the two years 1949-50, the refugee tide added one person to the population for every two already there – an inflow of 750,000. To compound the problem, Hong Kong's traditional business of serving as a trade vestibule to and from mainland China was soon to be reduced severely. The free-world countries put an embargo on shipments of strategic goods to the mainland shortly after the Chinese Communists entered the Korean War.

But the surge of migrants brought with it the makings of Hong Kong's new economic era. Some of those who came were experienced industrialists. Some managed to bring capital from the mainland. Some had ordered machinery for delivery to Shanghai and had it diverted to Hong Kong. Many were skilled workers.

Applying their capital, equipment, and know-how, the refugees set up a variety of new industries that today have Hong Kong humming. There were some 2,500 factories in operation in 1954; by the end of 1962, there were 7,300.

The textile industry is by far the largest. Last year it employed 42 per cent of the labor force and produced more than half (about $300 million) of Hong Kong's manufactured exports. Other lines include plastics, transistor radios, air conditioners, electric fans, plywood, carpets, stainless steel cutlery, clocks, cameras, and binoculars. Machine building – started to supply the Colony's own manufacturing – has expanded into a substantial export business. Hong Kong machinery is now being sold in 70 countries.

Colony entrepreneurs have shown considerable ingenuity in turning local circumstance into profitable business operations. Airport modernization – begun in 1956 to accommodate the needs of the new international jet traffic – led to the development of an aircraft maintenance industry, which now overhauls airframes and engines for both civilian and military planes based in 38 countries. The floor of Hong Kong's magnificent harbor provided raw material for a new industry. Enterprising salvagers brought up ships sunk during the war, tore them up, rolled the scrap into steel reinforcing bars. Shipbreaking became an important activity: ships are now imported for demolition, and last year enough steel rods and bars were rolled to supply a large part of the needs for local construction and furnish some for export.

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Economic growth has spurred a widespread building boom. Satellite towns, which include industrial and commercial as well as residential areas, have sprung up in the New Territories, a 365-square-mile block of mainland and islands that was attached to the Colony under a 99-year lease agreement signed by China and Great Britain in 1898. In the capital city of Victoria, on Hong Kong Island, the commercial district is being redeveloped, with plans already drawn for improved port facilities and new public and commercial buildings. The new airport terminal, opened last year on the mainland, is to be expanded. A terminal for ocean-going passenger ships is on the drawing board. And a dozen hotels completed last year and under construction this year will more than double the Colony's room count.

The pace of building has necessitated a program of land reclamation. In crowded Hong Kong, construction sites are likely to be made rather than found. Hills are leveled to provide buildable locations. The earth sliced from the hills is dumped in the harbors to create other sites from the sea.

### *Funds for Growth*

The heady pace of Hong Kong's economic development has brought growth in demand for capital. On the whole, the demand has been well satisfied by the Colony's banking system. The build-up in manufacturing has been financed principally by the banks, which have advanced working capital, made medium- and longer-term loans, and also provided some permanent investment. The banks have stretched themselves over the whole maturity spectrum, and even into equity investment, because a proper capital market has yet to develop. Individual investors in Hong Kong have a marked preference for liquidity; by and large, they have poured their funds into bank deposits.

All told, there are more than 90 "banks" in Hong Kong, including branches of eight mainland banks, which appear to compete with each other in fine disregard of socialist doctrine. The total is swollen by a variety of bullion dealers, sales finance companies, and security houses that would not be classed as banks by U.S. definition. Even so, the scope of conventional banking activity is impressive, given the size of the Colony. Hong Kong does not compile comprehensive banking statistics; but, at the end of 1961, available figures showed that 59 of the largest banks in the Colony had total deposits equivalent to almost $600 million – 44 per cent

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in demand deposits, 36 per cent in time accounts, 20 per cent in savings deposits. All three deposit categories had shown sharp and steady increases. From 1955 to 1961, demand deposits were up 73 per cent, time money jumped more than eightfold, and savings accounts were up almost fivefold.

Deposit growth did not come by accident. The major Hong Kong banks have rapidly expanded their branch systems, now are operating a total of almost 225 offices, or approximately one for every 15,500 of population. This compares with one banking office per 11,600 residents in the five boroughs of New York City (or one for 7,900 if savings banks and savings and loan associations are included). The banks have bid aggressively for deposits – interest rates on demand money run as high as 2 per cent, personal savings bring 3 per cent, time money rates generally run from 5 per cent.

This busy banking scene has not been entirely trouble-free. In mid-1961, one of the largest locally-owned banks suffered a liquidity crisis and had to be helped with a loan from other banks. The trouble had stemmed from an overly high proportion of long-term loans and illiquid investments. The incident served as a warning; as a direct consequence, an official from the Bank of England was invited to study the Hong Kong banking system and to make recommendations for reform.

The survey led to a new banking code that goes into effect next year, which for the first time will place Hong Kong banks under a measure of regulatory control. In general, the banks will be required to maintain a liquid asset ratio of 25 per cent in relation to their liabilities, and over the years will have to build a cushion of reserves. In addition, a variety of lending limits have been established, and henceforth banks will have to keep their books open for examination by a banking commissioner.

The new regulations are designed solely for depositor protection. There is nothing in the code to suggest that the Hong Kong government plans to use monetary policy as a lever for controlling the economy. Most Hong Kong bankers seem to feel that, while the banking controls are a departure from the tradition of *laissez faire*, the introduction of some gentle discipline will in time enhance Hong Kong's position as a financial center in the Far East.

But if the Colony's role as a money center is to broaden significantly, its capital market will have to be developed. Despite an

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ample supply of funds, there has been no meaningful flow of equity offerings to provide the making of a public market. Nor is Hong Kong an active market for foreign issues; local opportunities have been great, and, with profits taxed at only 12½ per cent, it has been hard to find a richer net return overseas.

Meanwhile, the flow of outside funds is picking up. It is estimated that some $500 million a year comes in seeking haven – mostly sent by Chinese living in Southeast Asia. Moreover, the rising pace of industry and tourism is starting to stimulate direct investment from overseas – especially from the United States. The Commerce Department estimates that total American investment in the Colony at the end of 1962 was $70 million. Nearly 300 U.S. companies are represented there. The principal external investor in Hong Kong, of course, is the United Kingdom. Japan, too, has been increasing its interest in recent years.

### *Balance of Payments No Problem in Hong Kong*

Hong Kong does not keep overall data on its balance of payments. But bankers in the Colony are convinced that its international position is healthy, if only because of the strength and stability of the Hong Kong dollar in the rough and tumble of the open market. Today, as for more than a decade, the local unit trades close to its parity of 17.5 U.S. cents (HK$5.7 = U.S.$1).

The Colony's balance on merchandise trade is chronically adverse. The value of imports, $1.2 billion last year, runs about one-third more than export earnings. The Colony has to buy most of its goods abroad. The population, estimated last year at 3.5 million (98 per cent Chinese), is not large enough to support a full line of domestic manufactures. Nor does the tiny territory possess much in the way of industrial raw materials; most primary products – e.g., cotton, metals – are imported. With workable land scarce, some 80 per cent of the food supply also is brought in from outside.

Imports of these essentials have mounted at an average annual rate of almost 10 per cent for the past four years. The principal supplier is mainland China, which – although itself a big importer of food – sells Hong Kong a large part of the latter's daily diet. In recent years the Red Chinese have supplied nearly one-fifth of the Colony's imports of all kinds. The next largest supplier is Japan; the United States and United Kingdom contend for third place.

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It is estimated that Hong Kong pays for one-third of its imports with proceeds from "invisible" transactions. Much of this income arises from commercial services – chiefly financing and insuring trade. Recently tourism has also developed into an important earner of foreign exchange. Travelers come both for shopping and for sightseeing. The impressive bargains and service offered by Hong Kong tailors and dressmakers, along with the luxury and attentiveness lavished by the Colony's hotels, have helped make a visit there a high spot of most Far Eastern tours and cruises. Two years ago, 221,000 tourists left behind some $120 million; all told, tourism is the Colony's second largest earner of foreign exchange.

Exports have not quite kept pace with imports in their percentage growth: foreign sales of all goods – those transshipped and those manufactured – rose nearly 34 per cent in the three years 1959-62 while imports registered a 35 per cent increase. The export gain has been almost entirely in goods made in Hong Kong. Trade of the passing-through variety, once the Colony's main reliance, has held to a narrow range around the equivalent of $180 million, while exports of local manufacture have grown from $400 million in 1959 to $582 million last year. With imports growing somewhat faster, the trade deficit has widened from $293 million in 1959 to $400 million last year.

Thus Hong Kong must continue to increase its exports if the total economy, so dependent on imports, is to keep growing. Mindful of this, business leaders in the Colony are expressing concern over what they believe to be serious faults in both the structure and the style of the export trade. Chiefly, they are troubled by the heavy dependence on markets in the U.S. and U.K., which together buy nearly half of Hong Kong's manufactured exports.

In the United States, which last year took 26 per cent of the total, textiles encounter quantitative barriers. Early last year, under an agreement then in force, the U.S. government asked Hong Kong to exercise "restraint" in exporting several categories of textiles. Since then, a five-year agreement regulating world trade in cotton textiles has been concluded by nineteen countries, including the U.S. and Hong Kong. It reaffirms the right of importing countries threatened with "market disruption" to call for restraint by exporters. The arrangement went into effect a year ago October, and the U.S. again

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called for restraint. This action has had the effect of putting ceilings on Hong Kong sales of some 30 categories of textile products to the United States.

The dominant position of textiles in the product list is viewed as a liability in itself, since most customer nations practice some degree of protection against textile imports. But up to now, at least, textiles have been a profitable enough line to make individual entrepreneurs reluctant to risk shifting their capital to less tested ventures, even though the need to build a more diversified manufacturing base is generally acknowledged in the Colony.

Great Britain, which grants favorable rates of duty to Hong Kong goods under the Commonwealth preference system, last year took 22 per cent of the Colony's manufactured exports. Worry about what would happen to this trade if the U.K. were to join the European Common Market was not put to rest by the breakoff of the Brussels negotiations early in 1963. Even apart from Common Market jitters, there is fear that Britain's declining benefit from Commonwealth markets may lead eventually to abolition of preference.

What to do about such disturbing possibilities was the subject of a study published this year by an unofficial group called the Hong Kong Working Party on the European Common Market. Business, labor, press, the colonial government, and the governments of Britain and four of the Common Market countries were represented. The Working Party reviewed steps Hong Kong might take to boost its sales in the total European market.

The group recommended that Hong Kong manufacturers study the ways of European buyers more closely, also that they try to anticipate restrictions likely to be placed on their goods. Quotas are more dreaded, apparently, than are tariffs at any present or proposed level in the Common Market. Interestingly, the Working Party proposed that Hong Kong eventually might consider requesting an association with the European Economic Community. Meanwhile, it recommended that the Colony publicize its potential usefulness to the industrialized European countries, emphasizing the possibilities of trade with mainland China.

### *Finding Fault*

With considerable candor, the panel also turned its attention to another threat to exports – the shortsighted trading practices of some Hong Kong producers. For instance, the report criticized the

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tendency of some manufacturers to flood foreign markets. It also mentioned the penchant for copying successful products.

Closely allied to comments like these is the realization that the franchise of Hong Kong merchandise has been hurt in world markets by shoddy goods poured into export channels and by obvious attempts to deceive foreign consumers with trade names closely resembling familiar brands (e.g., one obscure company in the Colony has exported a "Coalgate" toothpaste).

Sentiment in favor of curbing such injurious practices is growing in the business community. The Federation of Hong Kong Industries, long interested in improving the quality of exports, has begun testing textiles for standards of acceptability. The application of moral suasion is likely to grow more vigorous with increasing awareness that dependable overseas markets can be cultivated only on a basis of repeat orders and satisfied customers.

To push exports, the government has been dispatching trade-promotion teams abroad. Under this program, commercial missionaries have sought larger purchases from the rich Common Market countries – which now take only 7 per cent of Hong Kong's exports – and also have been canvassing nations in Africa and the Middle East that can usefully import a wide range of low-priced consumer goods.

Long-term improvement in exports probably will require, in addition to broadened outlets, greater diversification of products. Hong Kong has not the capital, technical proficiency, land, nor economic base on which to build heavy or complicated industries. But it does have a fast-growing work force in its predominantly young population. The best bet, consequently, appears to be further expansion of light industries which utilize labor intensively.

#### *Should Government Be Drafted?*

The knottiness of the problems involved in trade expansion, plus an uneasy feeling that the "image" of Hong Kong industry needs touching up, has prompted some businessmen in the Colony to urge that government take a stronger hand in the economy. The advocates of such a course seem to envisage an arrangement in which officials would help lay out a schedule for orderly diversification of output and a program of quality control.

Intervention of this type would be a drastic departure from the traditional attitude of the Colony's government where business is involved. In a different area, how-

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ever, the government already has made a significant departure from the past. This was in dealing with the social problems created by the refugee influx which started in 1949. The problems were severe. For every immigrant who came with means, many others came with nothing. They squatted wherever they could find a foothold. On the hills rising from Victoria, and around the peninsula city of Kowloon, they built shacks of tin, wood, cardboard, and rags. In places they were jammed as tight as 2,000 to the acre, without sanitation or piped water.

At first reluctant to depart from its accustomed hands-off policy, the colonial government finally assumed what it was frank to call the "strange new role of financier, contractor and landlord." After fires in 1953 and 1954 had destroyed the shacks of some 75,000 squatters, the government moved in, cleared and leveled the burnt-out sites, and began erecting apartment buildings six and seven stories high, each of which housed approximately 2,000 persons at low rentals.

By the end of last year, about half a million people had been resettled in such developments. Perhaps an equal number are still without real housing, but the government expects to get enough units built to accommodate them within another five years. Officially, the border has been sealed against further immigration, because Hong Kong feels it has reached the limit of its absorptive capacity. Illegal entrants are sent back if apprehended; even so, last year net immigration is believed to have amounted to more than 200,000.

Having taken the plunge in public housing, the government has deepened its involvement in other activities of the social-benefit type, notably education and programs for health and medical care. It also has undertaken to do something about the chronic problem of water supply, which is now so acute that taps can be turned on only every fourth day and some industries using large quantities of water have had to curtail operations. A ten-year project for building dams, reservoirs, and tunnels was begun in 1960.

The venture into public works has been financed almost entirely from current revenues, which were pushed from the equivalent of $51 million in fiscal 1951 to $186 million in 1962 with no significant increase in tax rates. An important element in the growth in revenues has been income from the government's land monopoly (it all belongs to the Crown, and leases are auctioned – at prices that have soared in recent years).

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There has been a budget surplus in all but one of the past ten years, and total public debt was equivalent to only about $16 million at the end of fiscal 1962. Some help in meeting the heavy expense of refugee care during the past dozen years has come from outside loans and contributions: about $18 million from the U.K. since 1945; some $50 million from the U.S., mostly in surplus foods; and gifts of undetermined amount from private relief organizations.

### *The Red Shadow*

The bustling day-to-day pace of business and the talented merchandising of luxury give anxiety little chance to show through in Hong Kong, but the shadow of the red giant to the north flits restlessly over any contemplation of the Colony's future. Peking thus far has carefully avoided striking anything like a menacing pose – in fact, it is more inclined to play the good-neighbor role. For example, it regularly makes one of its reservoirs available to water-short Hong Kong. The communists have sound reasons to avoid friction. The Colony's facilities are no less useful to them than to the free world. The Chinese value the hard currency they earn from exports to the Colony. They find welcome the food packages and money sent by Chinese in Hong Kong to relatives north of the border. Also, any show of undue abrasiveness toward a British colony would cast Red China in a hostile confrontation of the one major Western power that recognizes the Peking government.

For the long, long pull, Hong Kong's future is clouded by territorial uncertainties. Great Britain has outright ownership of less than 10 per cent of the Colony's area – the island of Hong Kong and the Kowloon peninsula at the tip of the mainland. The lease granted on the rest, comprising the New Territories where the satellite towns are clustered, is due to expire in 1997.

A deadline 33 years away, however, seems comfortably remote. It certainly is not a noticeable damper on the optimism that charges Hong Kong's day-to-day atmosphere. As time runs on, unless some prior agreement is reached for extension or other settlement, there probably will be an intensification of the present reluctance to enter into long-term commitments, especially where the New Territories are concerned. But, for the practical people of Hong Kong, accustomed as they are to playing it cool and keeping mobile, 1997 right now is a problem that will have to wait its turn.

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# Private Property

EDWARD P. SCHARFENBERGER

*The following is an excerpt from a statement by Mr. Scharfenberger, an attorney of Ridgewood, New York, at Hearings on the Brooklyn Bridge Southwest Urban Renewal Project before the New York Planning Commission, February 11, 1964.*

I DO NOT for one moment doubt the integrity of the members of this commission. For this reason, I find it difficult to believe that in passing on plans such as these, the commissioners ever fully realize the implications of their acts, and especially the impact upon the human beings involved. The men and women, for example, who own or rent the premises in the project area are industrious, self-supporting, and self-respecting. They have committed no crimes. Yet, we have before us a proposal to take property from these citizens to whom it belongs and transfer it to the use and ownership of other citizens to whom it does not belong. Lest there be any mistake, this is not the taking of property for a road, a courthouse, or a missile site. This is a matter of depriving some citizens of their private property so that other citizens may use and enjoy it.

Please think this over for a moment. No man or group of men, however large, would have the moral right under these circumstances to seize the property of a single neighbor, with or without compensation. We nevertheless have on the statute books of the State of New York a law which cloaks with legality this admitted-

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ly wrongful act. Under color of this law, some men (we could not, of course, permit every man to acquire property in this manner) now seek to enlist the coercive mechanism of government to acquire property belonging to their neighbors. The victims, who in former years might have called upon the court or a policeman for protection, now find the court and the policeman on the side of the aggressor. We may not be able to measure the damaging effect on respect for law and order; but the damage is done, nevertheless.

The Commission has been told by proponents of the plan that, among other things, the project is a big step forward. I believe it more accurate to call it a sizable step backward. Barbarism has its earmarks, and the acquisition of property through conquest or superior force is notably one of them. Civilization, too, has its earmarks, and the orderly disposition of property through the medium of deeds, leases, wills, and other contractual arrangements is not only an earmark of civilization but an absolute prerequisite. Leases, deeds, wills, and other contracts will all fall under the stroke of the proposed condemnation. With them will fall the personal security, the hopes, the plans, and – yes – the dreams of the many human beings who have placed their faith in their worth. Here, as always, the failure upon the part of large segments of any given society to understand and respect the rights of ownership can only result in the rise of innumerable pressure groups, all trying to suggest what should be done with other people's property. ◈

IDEAS ON LIBERTY

### *Ownership*

SOCIETY can freely leave the care for the best possible employment of capital goods to their owners. In embarking upon definite projects these owners expose their own property, wealth, and social position. They are even more interested in the success of their entrepreneurial activities than is society as a whole. For society as a whole the squandering of capital invested in a definite project means only the loss of a small part of its total funds; for the owner it means much more, for the most part the loss of his total fortune.

LUDWIG VON MISES, *Human Action* (1949)

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# THE TWILIGHT OF THE PLANNERS

WILLIAM HENRY CHAMBERLIN

THE IDEA that authoritative state planning of economic life is the road to swift, efficient national development is the grand illusion of the twentieth century. Would-be planners are a stubborn breed and do not give up easily. But, on the record of practical results, the prestige of planning has never been so low. The pragmatic value of such essential instruments of a free economy as the unhampered operation of the free market and the maintenance of an international system of free exchange convertibility has never been so high. Planning, of course, substitutes the arbitrary judgment of bureaucrats for the infinitely surer guideline of market demand as to what manufactured articles and commodities, and how much, should be produced.

The recovery of Europe from postwar desolation to its present state of booming prosperity would never have taken place if early reliance on rationing, bilateral trade, government allocation of resources had not been scrapped and replaced by the normal methods of a free economy. And in this connection much credit is due to such statesmen as Ludwig Erhard in Germany, Reinhard Kamitz in Austria, the late Luigi Einaudi in Italy, and to truly liberal (not statist "liberal") economists, such as Jacques Rueff, Wilhelm Roepke, the late Walter Eucken, and, last but far from least, the late Per Jacobsson, who by their writings and official and unofficial reports strongly influenced the return to traditional economic wisdom.

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Mr. Chamberlin is a skilled observer and reporter of economic and political conditions at home and abroad. In addition to writing a number of books (his latest, *The German Phoenix*: Duell, Sloan & Pearce), he has lectured widely and is a contributor to *The Wall Street Journal* and numerous magazines.

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Jacobsson was a mighty battler against the dangers of inflation and the fallacies of "dirigism," the European word for state directed economy. His reports for the Bank for International Settlements in Basel were beacon lights of common-sense realism. And in the post which he occupied until his death as Secretary-General of the International Monetary Fund he was able to strike many blows for three basic economic freedoms, free movement of men, money, and goods across frontiers.

Jacobsson's contacts as representative of the IMF included the leading statesmen of Europe; and the transformation of the French franc from one of the softest currencies in Europe to one of the hardest may be, at least in part, the result of one of his talks with General de Gaulle. He recalled the fact that not the least of Napoleon's achievements was the creation of a stable French currency, an achievement which long outlasted his empire. De Gaulle showed lively interest at the mention of the name of Napoleon and shortly after this talk measures were put into effect which stopped the continual erosion in the value of the franc.

Another military head of state, General Franco of Spain, proved amenable to the arguments of Erhard and Rueff, whom he had invited to Spain to offer advice as to how best to revive the Spanish economy, which had been limping along under a good deal of government interventionism. Controls were abolished or relaxed, the currency was stabilized, tourists flocked into the country in increasing numbers, and exports boomed.

All over the world there are dozens of concrete illustrations of the immediate visible benefits that accrue when planning and control are tossed overboard and the economy is permitted to function freely. One of the latest is in the Philippines where there were strikingly favorable results when President Macapagal decided to take a chance on freedom, struck off controls, and left the national currency, the peso, free to sink or swim. Its head was kept above water and Philippine exports and the entire economy visibly gained as freer relations prevailed in national and international trade.

### *Problems in India*

Another underdeveloped Asian country, India, has followed the different road of planning, and the results, despite vast injections of American economic aid, have not been encouraging, to put it mildly. A very distinguished Indian economist, Professor B. R. Shenoy, who has served his country on

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several international agencies, in recent lectures and articles in the United States has painted a devastating picture of the failure of planning in India to promote the general welfare.

An extreme concentration on heavy industry, to the neglect of India's basic occupation, agriculture, has saddled the country with white elephants – or, as Professor Shenoy calls them, with reference to a famous Indian memorial palace, Taj Mahals – expensive to build and keep up and producing goods which could be purchased far more cheaply abroad. The social objectives of India's three five-year plans, improvement of living conditions for the masses of the people, and reduction of unemployment, have not been realized. Per capita consumption of food is below the ration allotted to prisoners in jail and the per capita consumption of cloth, another indicator of general well-being, has declined. Expansion in employment has not kept pace with the birth rate.

And, although Prime Minister Nehru and his colleagues are committed to a somewhat vaguely defined Indian socialism, the effect of the planned, controlled economy has been to enrich the bureaucracy and the businessmen who get in on the ground floor of the big racket of paying necessary bribes for import licenses which may be sold on the illegal market. To quote Professor Shenoy in *The New Individualist Review*:

> Freedom-loving people, in the name of preserving and spreading freedom, are unwittingly financing and otherwise sustaining socialist policies which thus far – sensational projects and schemes apart – have yielded little else than social injustice, unemployment, poverty, and conflict. Though the Indian planners and their overseas supporters are full of promises and hope, these policies can hold out prospects of nothing better for the future. . . Statist policies in India might have been abandoned long ago, but for the intervention of foreign aid, which kept the coffers of the prodigal replenished as they became depleted, the moral support lent to statist policies by visiting "experts" from overseas, and the colossal gains in money and power which these policies yield to the politician and civil servant.

The Indian planners are repeating a blunder which Soviet planners committed in the first years of the Bolshevik Revolution. At that time, when Russia was terribly devastated by the consequences of World War I, violent revolution, and civil war, Trotsky and other communist leaders, with the cooperation of some theoretical economists, worked out a blueprint for recovery based on the restora-

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tion first of all of transportation and heavy industry, with satisfaction of consumer desires given a later priority.

This scheme broke down under the pressure of hard realities. With hunger stalking the cities and famine in large rural areas, Lenin reversed course by declaring the New Economic Policy, which amounted, in substance, to freeing the peasants from the compulsory requisitions of war communism and allowing agriculture and small industry to revive before tackling the reconstruction of such industries as iron and steel and machine building. This is only one of many examples of the topsy-turvy effect of trying to regulate economic activity by bureaucratic planning.

India has at least not gone the full way to totalitarianism, with its destruction of all freedom of speech and press and expression. Professor Shenoy makes no secret of his views, but retains his post as director of the School of Social Sciences at Gujarat University, in Ahmedabad. A Freedom Party, headed by the veteran nationalist political figure, C. Rajagopalachari, is able to function and its organ, *Swarajya* ("Freedom") keeps up a drumfire of criticism, of which the following excerpt from an article by Rajagopalachari is a good example:

Nationalization does not reduce costs. Experience has amply demonstrated this. We can imagine that by saving profits we can reduce costs. But the actual cost including wastage increases when there is no room for the profit motive. This has been seen in numberless cases by the Public Accounts Committees of Parliament. The market economy involves profits as well as losses. The hope of profits attracts enterprise and capital. Loss punishes inefficiency, error, and lapse of attention, and it is the individual who suffers, not the taxpayers. Efficiency is screened by the profit and loss system and those winning through are more efficient managers of resources than persons advanced to managerial positions by politicians. Going back to the cliché quoted in the beginning, if we remove the hope of profit we shall not alleviate distress or misfortunes, but only increase them.

### *Mistakes of the Red Chinese*

The disastrous effects of despotic state planning, unalleviated by any semblance of free political institutions, are most visible in Red China. While gullible visitors may bring back rose-colored impressions from carefully guided and controlled trips and while the Chinese Reds, like Mussolini, seem to have made the trains run on time and cleaned up to some extent the sketchy sanitation of the cities, there is one popular verdict

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on Chinese communism which no thoughtful student can disregard. This is the mass flight of Chinese, many of them poor peasants and unskilled laborers, to the haven of free enterprise, Hong Kong – a movement on a scale never duplicated in China in pre-communist times.

It is difficult to exaggerate the misfortunes which economic planning, carried out by ignorant and inexperienced bureaucrats, has brought to the long-suffering Chinese people. There have been mass uprootings of human beings, originally for the purpose of bringing peasants to work on industrial and transportation projects. Then, when it was necessary to cut back industrial production sharply after the withdrawal of Soviet economic aid, the same people were thrown back on the villages, where there was neither work nor land for them.

In the "Great Leap Forward," the result of which was that the Chinese economy only escaped a broken neck by large-scale purchases of grain from capitalist Canadian and Australian farmers to relieve famine conditions, there were countless absurdities of direction from above. There was an idiotic effort to force people to make steel in their own backyards with the aid of home forges. Not surprisingly, the output all proved worthless. Deep plowing, unsuitable and destructive for China's rice fields, was ordered from above and enforced against the practical experience of the peasants. A water conservation program, undertaken without proper geological study, led to the digging of canals in unsuitable places, which made large areas of arable land alkaline.

### *Africa, Take Note*

Whereas the failures of private enterprise cause loss only to private individuals, the failures of compulsory state planning lower the standard of living for the whole population. This was clear to Emmanuel John Hevi, a student from Ghana. He spent over a year in Red China and came away with a very different impression from that which the Chinese, hoping to send him back to Africa as an indoctrinated communist, had aimed to give him. His book is full of concrete examples of overwork and undernourishment of the Chinese people, of incredibly shoddy goods turned out in state factories, of extraction from the peasants of 70 per cent of their produce in taxes. Mr. Hevi sums up his case as follows:

> Exploitation of man by man may have been abolished in Red China; but in its place they have exploitation of man by the state. *That* is

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Chinese socialism . . . I think three major factors have led to China's present plight: first, a myopic agricultural policy; secondly, the overtaxing of the peasants; and thirdly, a frantic haste to industrialize, partly for internal economic reasons, but partly, also, to impress the world, and the consequent excessive emphasis on heavy industry, to the neglect and detriment of other sectors of national development.[1]

Similar colossal blunders of state planning have taken place in the Soviet Union and its European satellite states. One of the biggest in recent years in Russia was Khrushchev's decision to put in grain crops on naturally arid lands in Central Asia, better suited to grazing. Now, it seems, this is being reconsidered, after the Soviet Union found itself obliged to order large supplies of grain from the unplanned economies of Canada, Australia, and the United States.

The record of the part of Germany under Soviet control, the so-called German Democratic Republic, is also studded with miscalculations, involving big wastage of labor and capital investment. Considerable effort was devoted to enlarging the harbor of Rostock, on the Baltic Sea. But Rostock is a port without an economic hinterland. A huge new steel plant was built in Eisenhuettenstadt (originally Stalinstadt) in the Oder River Valley; but the iron ore had to be brought 1,400 miles from Krivoi Rog, in the Soviet Union, and coke supplies from Poland are inadequate. Unit costs of production are consequently extremely high. An airplane factory in Dresden was such a production failure that it had to be closed down.

### *No Method of Calculation*

One of the many defects of a planned economy is that it affords no means of determining what the cost of any product or service should be. And one of the surest signs that this is the twilight of the planners is the groping around, even in communist-ruled countries, for some effective substitute for the pricing which the free market, when allowed to function, performs smoothly and efficiently. A Soviet economist named Liberman has offered several suggestions pointing in this direction; but Khrushchev, vacillating between centralization and decentralization of his cumbersome apparatus of state economic administration, cannot make up his mind whether these can be applied without departing from Marxist doctrine. When I visited Yugoslavia some years ago a communist edi-

[1] See *An African Student in China* by Emmanuel John Hevi (Praeger, 1963), pp. 94, 95.

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tor, explaining the attempt to give more autonomy in production and marketing decisions to individual enterprises, remarked: "We are trying to create capitalism – without capitalists."

Planning is advocated on the ground that some problems are too big and difficult to be solved without an element of state direction and compulsion. In this connection two experiences are worth recalling. John Steinbeck, in *The Grapes of Wrath,* gives a moving picture of how some poverty-stricken and drought-ridden farmers in Oklahoma pulled up stakes and traveled in their battered jalopies to California in search of greener pastures. On a visit to Southern California I asked what had become of these "Okies." "Oh, most of them have become substantial citizens, holding good jobs," was the reply. Would it have been better for the "Okies" if some planning agency had possessed the power to tell them where to go, what kind of work to take up?

More recently, in the immediate aftermath of the war, the German Federal Republic faced an "Okie" problem many times multiplied. Between ten and fifteen million Germans and people of German origin, natives of the German provinces which were turned over to Poland, of the Soviet Zone, of Czechoslovakia, Yugoslavia, and Romania, driven by force from their homes or fleeing before advancing Soviet armies or not wishing to live under communist rule, came pouring in a destitute tide of migration into the shrunken frontiers of Free Germany. The social and economic crisis might well have been regarded as demanding state intervention. But Economics Minister Erhard had made his bet on freedom. The expellees were given food and shelter, but were left free to choose their own places of settlement and forms of work. And today there is not an unemployed refugee left in Germany and the danger cloud of an embittered, pauperized minority has passed entirely from the horizon.

Put to the test of practical results, economic freedom wins over state planning hands down, everywhere, under all circumstances. And planning, even in totalitarian states, has entered the twilight zone of frequent and demonstrated failure. ◈

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# Would You Let Them Starve?

PAUL L. POIROT

THOUGH compulsory social security has been the law of the land for little more than a generation, many citizens of the United States are now convinced that they couldn't get along without it. To express doubts about the propriety of the program is to invite the question: "Would you let them starve?"

Millions of Americans are old enough to remember things that happened prior to passage of the Social Security Act in 1935, but where is one of them who ever watched a human being starve? No, we wouldn't "let them starve." Anyone would have to work hard at it, in secret, to approach starvation in this country! So why is it so widely believed that, without social security benefit payments, many people would go hungry?

The social security idea is based on the questionable premise that a man's usefulness ends at age 65. He is supposed to be without savings and without capacity to continue to earn his living. If that premise were correct, it would be easy to see how hunger might develop among the aged. If they're really good for nothing, who wants to be bothered to look after the old folks!

Lumping people into groups and jumping to conclusions about each group – people over 65 would go hungry without social security – is standard socialistic procedure. A corollary socialistic conclusion is that breadwinners under 65 must be compelled by force of law to respect and care for their elders. These conclusions rest on false assumptions made by those so lacking in self-respect



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that they can have no faith in anyone else as an individual. Their faith is in coercion, and they thus conclude that government holds the only answer to every problem.

To those of little faith, it is necessary to explain again and again and again that government is noncreative and can distribute only what it first taxes away from the productive efforts of individuals. "The people" are – first, last, and always – individuals, some more economically creative than others, but each worthy of respect as a human being. To tax a man's earnings and savings, for other than defensive purposes, is to reduce his capacity and his incentive to care for himself and for others, rendering him part slave to others and thus less than human. Furthermore, he also is enslaved and debased who either volunteers or is forced to look to the taxing power of government for his livelihood.

Slavery has been tried in the United States, unfortunately, and a major reason why it failed is that it was, and is, an unproductive way of life; it lets people go hungry. It also is morally degrading to slave and master alike. Yet, we are being told that without compulsory social security taxes upon the young and strong, the oldsters among us would go hungry – perhaps starve; we are invited to try once again a semi-slave system – under benevolent masters, of course. Well, those socialists are dead wrong. Their premises are faulty. Free human beings may be counted upon to care well for themselves and for their fellow men, voluntarily.

### An Immoral Practice

What should concern us all is that, *if we persist* under the false premises of the social security idea (socialism), many Americans *will* go hungry – not only physically hungry, but morally and spiritually starved as well.

The prime argument against social security is in the moral realm. Giving to one individual or group the fruits of the labor of others taken from them by coercion is an immoral procedure, with destructive effect upon the sense of personal responsibility of everyone involved. But there are sufficient reasons for rejecting the program, even from a strictly materialistic point of view:

1. It is not old-age insurance; it is a regressive income tax, the greatest burden of which falls on those earning $4,800 or less annually.
2. The so-called social security fund of about $20 billion amounts to nothing more than a bookkeeping entry,

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showing how much money the federal government has borrowed from itself in the name of social security and spent for other purposes.

3. The fact that an individual has paid social security taxes all his life does not mean that any of that money has been set aside or invested for his account; if he ever receives social security benefits, they must come from taxes collected from others (perhaps even from him) at the time.
4. The matching amounts, presumably paid by employers on behalf of individual employees, are in effect paid by the employees either through reduced wages or through higher prices for goods and services.
5. Offering a subsidy to those who retire at age 65 does not provide additional savings for plant and tools and thus create jobs for younger workers; it increases their taxes.
6. A person now entering the social security program at age 20 is scheduled to pay $1.69 in taxes for every $1.00 promised in benefits.*

*For a more comprehensive review of these and other arguments against compulsory security, see "The Social Security Program" in *The Freeman*, November, 1962; copy on request.

*Reprints available, 2 cents each.*

IDEAS ON LIBERTY

### *Do It Yourself!*

I MAKE this suggestion to young men: When you find something to criticize in business, don't go to Congress to have it corrected. Don't bother to write to the editor of your newspaper. Go to the offender and tell him how to eliminate the cause of your criticism. If he doesn't put you on his payroll, and you still think somethink should be done, see if you can't figure out a way to get into business with your idea. That's how most good things get started, and that's how money is made – by doing something better than the other man.

WILLIAM FEATHER, *The William Feather Magazine*
March, 1964

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THE AMERICAN TRADITION

# 14. The Restoration of the Tradition

CLARENCE B. CARSON

CAN the American tradition be restored? Supposing it were desirable to do so, has the time not passed when it might have been done? Once embarked upon a course, must a people not pursue it to its end? Anyhow, would it not be a revolutionary undertaking to attempt to restore the tradition? Appearances would indicate that a new tradition has been erected upon the remains of the old in America, that the reformers have succeeded in developing a tradition of positive governmental action, of collective security, of intervention in the economy, of integration of the population, of government by men, and of direct group action. They have created numerous institutions – Interstate Commerce Commission, Federal Communications Commission, welfare and education agencies, and so on – and the bureaucracy which operates these certainly has become a vested interest. It looks as if the task of restoring the American tradition might be akin to the effort to put Humpty-Dumpty together again – in a word, impossible.

My opinion is that this way of formulating the problem greatly exaggerates the difficulties of restoring the tradition. The difficulties are two-fold, not manifold. They consist, in the first place, of convincing a sufficient portion of the American people that it would be worth while restoring.

Dr. Carson is Professor of American History at Grove City College, Pennsylvania. His series on *The American Tradition* is now available as a book, 319 pp., $5.00 cloth. (See announcement on inside back cover.)

*Illustration: National Archives*



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Second, it would involve overcoming the tenacious and determined resistance of the vested interests (that is, those who stand to gain personally by a multitude of governmental programs and practices) who will raise a deafening hue and cry at every effort to pry them loose from their privileges, perquisites, and benefices. As things now stand, they will be given the maximum aid, comfort, and coverage in their outcries by the press and other media of communication. The resultant noise might frighten the timid into supposing a revolution was going on, but a resolute Congress should be able to undo in short order what it has done in decades.

***Remove the Restraints***

Some might suppose that the above vastly oversimplifies the problems. But I am not attempting to maintain that the two things mentioned above will be easy to do. They require a resoluteness in politicians and populace that has not been in much evidence lately. What I am saying is that the restoration of the tradition does not involve any deep social revolution or profound metaphysical difficulties. There is *no tradition* of interventionism to be uprooted, only forcefully imposed restraints to be removed.

The belief that the twentieth century innovations in America constitute a tradition stems from a confusion of ideology with tradition. Throughout this work, I have tried to keep clear the distinction between the two. An ideology, as I understand it, is a completed version of reality. It is a product of the mind of a man or of the minds of several men. It may begin with some facts drawn from experience, though it is more apt to start with an *interpretation* of these facts. One might, for example, start with the observed facts that some people do not have as many clothes as others, nor are their houses as warm, their salaries as high, their cupboards as well stocked, and so on. So far, so good, but at this point the ideologue usually begins to intrude assumptions and value judgments, whose validity he has not tested, if they are testable.

The ideologue will say, to continue the example, that everybody *ought* to have the necessities of life. He may insert the notion that the universe was created in such a way that these things would be provided, if no one interfered. Things are not the way they *should* be. He casts around for a villain. The villain, of course, is whoever is doing the *exploiting*, and that will be those who have more than others, possibly those who have the most. Depending

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upon his predilections and his patience or spare time, the ideologue may spin out his interpretation to embrace a philosophy of history and a vision of what things will be like when *injustice* has been removed and utopia has arrived. Indeed, it is the essence of ideologies that they are utopian and that they have an implicit philosophy of history. At least, this has been so since around 1850, and not many ideologies go back before this time.

### *Ideologies Always Collectivist*

Ideologies, then, are the products of intellectuals. But so, possibly, are ideas, philosophies, theologies, artistic creations, inventions, discoveries, and so on. It is a mistake to confuse even a collection of ideas which has been rounded out into a philosophy with ideologies, however. Ideologies have distinguishing features by which they can almost always be recognized. (1) They contain a *completed* version of reality. Everything that has or will happen is already explained. (2) They are utopian, and Marx's protestations to the contrary should mislead no one as to the heady utopianism of Marxism. (3) They have a *plan* for the realization of utopia. Marxism is confusing again because he apparently believed that the change would come automatically. But his disciples have had to devise plans. These plans involve centralized control and planning of the social and economic life of a people, or all people. (4) Ideologies must always be *imposed* upon a people and maintained by force or threat of force. Some of the people may cooperate in their own enslavement, but there will always be dissidents, and the realization of utopia requires that everyone participate, willingly or not. (5) Ideologies are always *collectivist* in character. This is made necessary by the other characteristics.

On the contrary, a tradition arises out of the lives of a people. It is *not imposed* from above; indeed, it is not ordinarily imposed at all. Whereas an ideology is operative in the area where force is used, traditions stem from the area of freedom available to a people. They are the customary ways a people develop for carrying on relationships with one another, the habitual forms for conduct and activity, the usual means for going about doing something or other. Ideas may contribute to the development of a tradition, theologies may buttress it, philosophies may comprehend it, but it can no more stem from these than ideas can exert force without the instrumentalities of men. Many traditions probably take shape in the

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same fashion that a path through a wooded area will in the country. Someone discovers that a certain route from one point to another is the nearest one which will encounter the fewest obstacles. He customarily takes this course until his tread has begun to shape the path. Others follow it, and in time this path becomes *the* way from one point to another.

### *The Natural Growth of Tradition*

Traditions are apt to lie close to the nature of things and to be constantly modified by experience. Thus, it is easy to understand how a tradition would be formed of a family consisting of a man and a woman and their progeny. By nature, it takes a man and a woman to produce a child. It does not appear to conflict with any reality that they should assume the responsibility of rearing the child. The chances are good that they will become devoted to the child, and it may well be that they will sacrifice for its benefit. These practices may be, and usually are, given social and religious sanctions, in addition to legal support, but they accord well with the experience of mankind.

Traditions, then, take shape by the efforts of men to cope with circumstances and conditions in regular ways. They exist whether men have a word to stand for them or not. No law is necessary, ordinarily, for them to be observed, though a law running contrary to them will be hardly enforced. The whole of them, in their complexity and variety, constitute the paths which men follow in leading their lives in a given society. Any large-scale disruption of the traditions will result in the disorientation of the populace. In the modern era, the great revolutions — i.e., English, French, Russian, Chinese, and so forth — have been the efforts to overturn traditions by the use of force under the guidance of ideology.

My point is this: the reverse does not appear to occur. When ideology is abandoned or discarded, revolution does not occur. When force is removed from behind it, ideology collapses, and people resume the tenor of their lives, following old and developing new traditions. I have in mind Germany and Italy after World War II, or England after the collapse of the Puritan regime.

Of course, two conditions are probably particularly important to a smooth transition from ideology to tradition. Law and order would need to be maintained after the collapse of the forcefully imposed ideology. Second, the extent to which the tradition had been disrupted would determine how readily it might be resumed. For ex-

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ample, if private property had been outlawed, there might be considerable difficulty in re-establishing property. Even so, when force was removed, this is likely to be one of the first things to which most people would attend today. Of course, Americans do not face any such difficulties in restoring their tradition.

### *The Ideology of Reform Is Imposed by Force*

The validity of two propositions needs to be established before the above analysis can be made relevant to the present American condition. First, it must be shown that Americans have been guided by an ideology in reforming the government and its relation to the populace. Second, it must be clear that the practices informed by this ideology have been imposed by force.

It is easy to show that the Soviet Union was founded upon an ideology imposed by force. Lenin made no secret of the fact that he was a communist. The bloody imposition of their programs upon the Russians should have left no doubt that brutal force was used to implement the programs. But Lenin and Stalin were proclaimed revolutionists. The vast assault upon the body of traditions of the Russian people could not have been covered up, if the leaders had desired to do so. They acted too swiftly and decisively for that.

In America, however, things have been quite different. There has been no proclaimed nor bloody revolution in the twentieth century. Instead, changes have occurred gradually, in an evolutionary manner, with the possible exception of a short period in the early New Deal. Efforts have usually been made to show how each departure from it was really in keeping with the American tradition. When President Franklin D. Roosevelt made his court reorganization proposal, for instance, he maintained that he was attempting to revitalize the "true" American tradition. Moreover, reformers have sought to use the institutional framework for their changes rather than simply destroying it. They have even managed to use such institutions as the Supreme Court, whose authority rested upon a profound tradition, to advance their programs. The ideology has usually been obscured behind a scientistic and pragmatic cover.

In consequence, both ideology and force have been rather well hidden from the view of an idle onlooker. Nonetheless, there was and is an ideology. It has almost always been just beneath the surface in the speeches of the reform politicians, the writings of the

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theorists, and the fulminations of the discontented. Their "four" (or "eight") year plans even burst into view and became a part of the language of the people under such interesting names as Square Deal, New Freedom, New Deal, Fair Deal, and New Frontier. Back of these, the ideology is more difficult to discern, but it is there.

### *The Ideology Outlined*

There is not space here to explore the ideology in detail, but it should suffice to call attention to its outline. Where such ideologies as the Marxist, socialist, and fascist were set forth in detail and considerable distinctness, the ideology of the American reformers is fuzzy, blurred, implicit, and lacking in clarity. It is quite possible that some of the most ideological of the reformers today are unaware that they are ideologues. Several reasons can be given for this state of affairs. Many of the progenitors of present-day reformers subscribed to rather explicit ideologies; they were socialists, Marxists, devotees of the Social Gospel, or "sociocrats." But they were usually repudiated by their American contemporaries, and for various reasons they or their disciples got out of the organizations and parties by which they could have been identified. Too, the decay of language and the decline of philosophy have made it possible for ideologues to hide from themselves and from others the fact that they are. There are advantages, too, in avoiding explicit affirmations of the ideology. Most of the assumptions upon which it is based have been discredited, and if the doctrines were openly affirmed they could be debated. No such difficulties are raised when the ideas are kept conveniently beneath the surface. Ideologues can operate from day to day —"pragmatically and experimentally," as they like to claim — advancing their ideology without having to defend it.

The ideology is made up of a composite of ideas drawn from progressivism, meliorism, utopianism, pragmatism, collectivism, with overtones of the class struggle, elitism, egalitarianism, and scientism. The name for them all taken together is "democracy," or so its proponents would have us believe. Those who advance this ideology in America are usually called "liberals." The elements of the ideology are loosely linked together and some of them are, in fact, antithetical to one another. For example, egalitarianism and elitism are patently in conflict with one another, on the surface anyhow. Beneath the surface where they operate, however, they are made compatible by scientism.

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Thus, the society would be supposed to move toward equality, but this would be done by an elite of "scientists." This explains the myriad experts, braintrusters, and college-trained bureaucrats who are employed by the politicians to develop and advance their programs. It should be noted, too, that the great variety of "isms" in the ideology permits a continual shifting when the programs come under attack. If the "elite" comes under attack, it can take shelter under progressivism. That is, it maintains that its programs are progressive. Those who attack them are reactionary.

### *Skin-Deep Inconsistencies*

We might suppose, then, that there would be a general lack of consistency in the programs advanced by the "liberals." It does not appear. True, there appears to be confusion quite often, and they do like to have debates on what they are pleased to call "issues." But what they usually debate is whether or not the federal government should do this or that at this time, whether the minimum wage should be raised to $1.15 or $1.25 an hour, whether more federal aid should be given for urban renewal or education, whether foreign aid should be reduced in order to build more federal housing projects, whether foreign aid should be economic or military, whether strings should be attached to foreign aid or not, and so forth. In short, much of the apparent confusion is window dressing. There is sufficient consistency in the general direction to conclude that their programs are informed by ideology.

Programs almost invariably call for more central government activity, more centralization of power in the federal government, more power in the hands of the President and of "independent" agencies, more spending by all governments, more deficit financing, more aid to the "underprivileged," more benefits under Social Security, more control and regulation over the economy, more uniformity of practice throughout the country, and more integration of the population. The direction is always toward a diminution of property rights and a redistribution of wealth. We move further and further away from individual responsibility toward collective responsibility for everything. The direction is almost always away from government by law toward the arbitrary decisions of judges, boards, commissions, committees, and administrators. The press reported that Attorney General Robert F. Kennedy was unconcerned with drawing a precise bill for Civil Rights. Let it be a very gen-

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eral measure, and let the courts determine its scope and limits.

The result of all these tendencies is arbitrary and authoritarian government. It is arbitrary because the powers are vested in administrators to exercise as they see fit, each case decided according to its "merits." It is authoritarian because the decisions are usually made by authorities, i. e., experts. It is ideological, because the above have been found to be the conditions for moving toward collectivism in this century, and the programs themselves are collectivist. It is antitraditional because the programs come from intellectuals rather than taking shape out of the lives and habits of the people. It is even anti-intellectual because it lacks a coherently articulated philosophy which could stand the test of reason.

### *Founded on Force*

That this ideology has been and is advanced by force or the threat of force should not need demonstration. But it does. The programs, and the force that is used to impose them, are supposed to be legitimated by being "democratic." Now modern "liberals" are majoritarians when it suits their purposes, but they do not feel bound to even this requirement of "democracy." Present indications are that if a Supreme Court decision went contrary to the wishes of over 90 per cent of the populace, and if the decision pleased them, they would favor it. Moreover, many "liberals" have no compunction about belaboring the taste of the great majority of Americans, their taste in automobiles, consumer goods, recreation, and so forth.

Even if they were consistent majoritarians, however, it would not change the fact that force is used to impose the programs. Any positive use of government is predicated upon the use of force upon someone. This is not altered by the number who would vote for it or the desirability of the object sought. If everyone would willingly contribute to the program or participate in it, no purpose would be served by enacting a law. If everyone would willingly give of their substance and time to Social Security, to the Tennessee Valley Authority, to foreign aid, to the support of the Peace Corps, to the redistribution of the wealth, to the support of education, it would be superfluous to make laws about it. The fact that it is made a law means that force or the threat of force is going to be used to make those comply who would otherwise be unwilling. Those who persist in passing positive legislation proclaim their failure at persuasion,

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their lack of faith in freedom, or their devotion to the use of force.

The evolutionary manner of the imposition of the ideology by force in America has not made the reformist way into a tradition. It is true that many Americans have acquired habits of dependence upon the government, that parents have come to expect that the populace collectively will pay for the education of their children, that some foreign governments have come to rely on foreign aid, that many groups have become accustomed to privileged positions. But none of this can subsist without the support of the state. Repeal the legislation, maintain law and order, and the façade of the reformist "tradition" will collapse, revealing nothing behind it.

### *Remove Privileges and Restraints*

Let me be more specific. Remove the welfare and unemployment program, and nature will take over shortly. For men grow hungry in only a brief interval, and this will be a sufficient prod to drive them to seek remunerative employment. Repeal the minimum wage laws, and the onerous bookkeeping imposed on employers, let the hungry man make himself attractive to an employer, and the "unemployed" will soon be busy doing the millions of jobs that are not now done because it is too expensive or too troublesome to hire someone to do them. Remove the exemptions and protections from labor unions, rigorously and impartially enforce the law, and they will no longer be able to create crises in the nation.

There has been much talk and writing since World War II about the "placid decade," the lethargy and conformity of youth, the lack of creativity and imaginativeness of people. This can be readily cured. Remove the restraints upon people, the government guarantees of security, and people will soon be inventive once again. Many a youth will begin shortly to improve his "image," and some will even learn to say "yes, sir" once again. There is no greater spur to invention, to imaginativeness, to creativeness, than the realization that one is responsible for his own well-being. The pressure of circumstances is an invaluable stimulant to human ingenuity.

### *Voluntary Charity Restored*

But – and at this point the reformer plays his ace – what will happen to those who cannot provide for themselves, to the education of the young, to the care of the sick, to the support of the widows and orphans, to the aid of the destitute, to the handicapped and the unfortunate? That so many should ask the question

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should be the answer to it. Surely those who are so concerned that it be done would be willing to contribute to it themselves. If they devoted all of the energy they put into advancing government programs to the care of the needy, the needy should be well cared for.

There would be some differences, of course. Those who evince such deep concern might be expected to put their money where their mouths now are. Recipients of charity might be expected to show some gratitude for it, rather than accepting the property or the fruits of the labor of others as a right. The virtue of giving would replace the compulsion of taxation. Professional welfare workers would have to convince the populace, not just lawmakers, that they were doing a good job. Those who believe in foreign aid could pour their money into other countries, with or without strings attached. All of this will not work perfectly to relieve all undeserved suffering. No program would. What government programs do is to remove the distinction between deserved and undeserved suffering, take away the right of the individual to the disposal of his property, and relieve him of the responsibility for managing his affairs well.

What I am saying is that if we remove the forcefully imposed ideology, tradition will be reasserted and redeveloped. This does not even depend upon the memory of the tradition, but it might well be aided by it. When individuals are responsible for their well-being once more, thrift, frugality, and industry are almost certain to become virtues again. The consequences of practicing the vices which are their opposites would be apparent even to many simpletons. No one would be likely to fall error to the notion more than once that he could spend his way to prosperity by spending his substance on consumer goods. Those who did so would be marked by the community as wastrels.

#### *Consequences Revealed*

It is not for me to say what particular forms will be devised in the reassertion of the tradition, what will be reborn from the past, and what will be developed for the first time. No one need trouble himself to think of all the ways people of a like mind might act to accomplish things, what might be developed as aids to the individual in protecting him from the unscrupulous, how much and in what ways religion may be needed to support virtues and condemn vices. Ideologues have to plan their programs in infinite detail. Their programs always suffer from the deficiencies of a single mind, or of a few minds. Their

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foresight needs to be good indeed, for they involve huge populaces in their calculation. A society resting on tradition and devoted to liberty does not suffer from these drawbacks. Every individual may have a plan of his own. Most, if not all, of the whole population contributes to the provision of goods, services, ideas, customs, and habits. The failures of foresight hurt most directly the individual who has made them, but the benefits of his plan, if it is a success, may reach to all mankind.

### No Need To Plan Details

The restoration of the American tradition does *not* depend, then, upon elaborate plans for the ordering of peoples' lives, for what their folkways, customs, patterns of behavior, and habits shall be. These will be taken care of by people themselves, when they are let alone. It *does* depend, however, upon the restoration of a framework for liberty, so that people can act freely once more. It is in this realm that general agreement would be needed to restore the American tradition. Undoubtedly, there are, or have been, other ways for protecting the liberty of the citizen than those developed in America. But they are not viable alternatives for Americans, nor has it been demonstrated lately that another system would be better. America had a system of constitutionalism, of local government, of government by law, of private rights, for the civilizing of groups, and so on.

### The Framework Still Stands

Perhaps *had* is not the right word. Most of the American political tradition is still there. There is still a Constitution, only significantly altered in two or three instances so far as language is concerned, though greatly altered by misinterpretation. The United States is still a Republic, still has a federal system of government, still has much of the framework for liberty intact. The major task of restoration is to get men to read, understand, and observe the Constitution once more, to limit and balance the powers of the state and central governments once again, to heed the rhetoric and forms of the tradition. This is an educational problem more than anything else. However, more direct action can be taken by unseating those who show no understanding or appreciation of the tradition by the electoral process. If judges persist in ignoring the provisions of the Constitution, they can and should be impeached. In like manner, administrators can and should be impeached if they will not stay

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within the bounds of the Constitution. Indeed, my guess is that it would not take many impeachments to make even Presidents cautious of exceeding their authority. Congress might contribute much by cleaning its own house, resuming its constitutionally granted authority for appropriations (in the fullest sense, not in the nominal manner it frequently does today), and by dismantling the boards and commissions which it has created to evade constitutional and legal limitations.

By these and similar means the tradition might be restored, without revolution, without severe dislocation, without violence, and it might be that the unemployment of ideologues would be only temporary. On the positive side, it would be a return to the path of liberty which our Founding Fathers marked out for us. ◈

• *The next article, concluding this series, will offer suggestions for "Building Upon the Tradition."*

IDEAS ON LIBERTY

## *Labor for Sale!*

THE CLAYTON ACT states that "the labor of a human being is not a commodity." Then what is it?

When you trace any product back far enough, it is composed of only two things – labor (mental and physical) and land (all raw materials). Thus when you buy *anything*, you are necessarily buying the human labor that transformed the raw materials into desired product.

The labor of human beings is scarce and desired. Thus it has a price like any other commodity. And in a free society, it is bought and sold on terms acceptable to buyer and seller. If human labor were not for sale, you couldn't choose your job, or bargain for more pay.

While a free human being is not himself a commodity, fortunately his labor is.

DEAN RUSSELL

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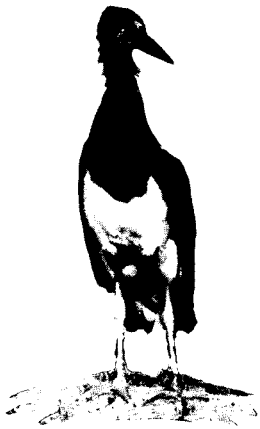

# Junior's Choice

FRANCIS E. MAHAFFY

FROM the high branches of a towering eucalyptus tree in front of our home in Africa a baby stork fell from his nest and fluttered to the ground. We found him uninjured but not yet able to fly. To protect him from the hazards of hyenas, jackals, and other dangers we placed him in our walled-in garden. Our children, fascinated by the new pet, searched for information on the life, habits, and diet of the stork family. They named him Junior and aided him in his quest for food. Junior responded to this attention and soon became very tame, answering to the call of his name. After some weeks he learned to fly. Disdaining the shed, he flew to the top of the woodpile or to the roof to roost at night, descending again to the garden in the morning.

Then one morning, perched on the top of our roof, he hesitated as the children called him. He looked about him at the majestic mountain peaks of solid rock and across the beautiful valley sloping gently down to the gorge that carries the floods of rain water rushing madly to the sea. Overhead a flock of storks flew gracefully by. Heedless of the calls of the children, he stretched his wings and flew off to soar with his fellow storks into the freedom of the skies.

Our children consoled themselves in their loss with the knowledge that Junior was, after all, a stork and they could expect him to prefer the freedom of the clouds and mountains to the confinement of our garden wall.

The Reverend Mr. Mahaffy has served since 1945 as a missionary of the Orthodox Presbyterian Church in Eritrea, East Africa.

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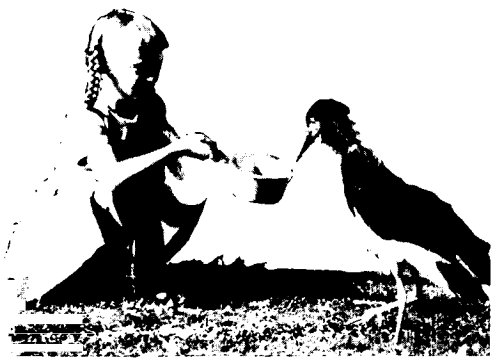

But that was not the end of the story. In about two weeks Junior, apparently tired of foraging for himself, flew back into our garden which he has again made his home. Now he willingly roosts in the shed at night and seems to prefer the security of his life as a family pet to the freedom of the mountains and sky. Never has he attempted even to fly over the garden wall. Instead, he walks at the feet of the children in search for food as they hoe in the garden or gracefully catches in his beak scraps of meat which they toss to him. While Junior is a favored pet, he seems to have lost something of the nature of that large and graceful bird by his clear preference for the pampered life of a domestic animal.

Even the children were quick to see the parallel between Junior's conduct and that of people under the welfare state. Having become accustomed to living at the expense of others, dependent upon subsidies, tariffs, relief checks, unemployment compensation, social security, and a host of other government handouts, they lose even the desire for freedom and reject the responsibility of standing on their own feet.

Man, the image bearer of God, was created not to live as a domesticated animal, a parasite on others, but to subdue the world, applying his growing intellect and physical powers to the creation in order to develop his potential, strengthen his character, and serve his Maker. The welfare state pampered life, however, can so benumb his soul that he loses even the desire to enjoy and use his freedom under his Creator. In the process he becomes something less than man. Like Junior he finds contentment with a life that falls short of a full realization of his own nature.

The exchange of freedom for life under the welfare state is a deliberate choice of man. The consequences of that free choice, however, are destructive of his character. In fact, they are also destructive of human society for society cannot long support an ever-growing number of unproductive dependents who prefer to be something less than men. ◈

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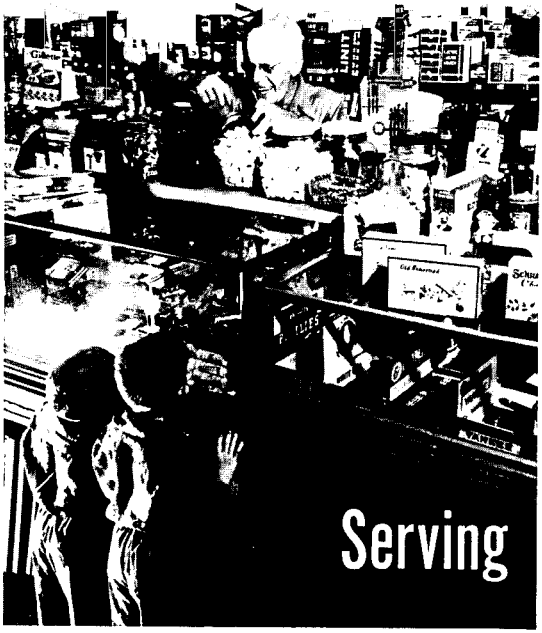

# Serving Consumers

W. M. CURTISS

TRADE between one person and another probably has been going on as long as man had something he could call his own. In a peaceful society, two neighbors compare their respective supplies and wants, and find opportunity to swap to their mutual advantage. That's really all there is to trade – one person giving up something he has for something he wants more. So long as the trade is voluntary and peaceful, both parties think they benefit from the deal. If not, why trade?

Now, it's true, trade gets more complicated when money comes into the picture – and especially so if each trader uses a different kind of money. Distance and time and transportation also complicate the trade. Still further complications arise when there are government licenses to cope with, and import quotas, and exchange quotas, and bi-lateral agreements, and most-favored-nation agreements, and a host of other restrictions.

The first essential to orderly trade between people is private

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Dr. Curtiss is a member of the staff of the Foundation for Economic Education.

This article is recorded in the "Seminar Library" series of LP records available from the Foundation for Economic Education, Irvington-on-Hudson, New York. $3.50. Write for complete list.

Also available from the Foundation is a more detailed 80-page discussion by Dr. Curtiss of *The Tariff Idea*. $1.00.

*Illustration: A. Devaney, Inc., New York.*

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ownership of property. A man must possess and be able to deliver what he offers.

Just why do people trade one thing for another?

Man attempts to satisfy his desires with the least possible effort – a worthy trait indeed, so long as he does not tread on the equal right of others to do the same. This is the *principle of conservation* as applied to human effort – and it is the basis of all economic progress.

In satisfying his desires, modern man is constantly exchanging goods and services with other men. In making these exchanges, his urge is always to obtain something which he values more highly than what he gives up.

But this trait in man's nature sometimes leads to trouble. Some men think that the easiest way to satisfy their wants is to steal from others. And perhaps this would be so except for one thing: The victims resent it! In most societies, of course, stealing is considered a violation of the basic codes of conduct, ethics, and morality; and, it is a violation of our first assumption, *a person has the right to own property.* If stealing is considered wrong in a society, it is natural that laws be passed to punish thieves.

One of the facts of life that makes trading desirable and useful is that most of the material things we want are always in short supply. There just isn't enough to go round. It is for this reason that things command a price in the market and that persons find it desirable to trade and improve their position.

### Consumption Follows Production

The material welfare of an individual, a family, a group, or a nation is determined by the amount of goods and services at its disposal. Neither nations nor individuals can consume what they do not have. Thus, the material level of living which the people of a nation enjoy is measured by their production – plus or minus international gifts.

The American family has more material things than has the Chinese or Indian or Russian family because the American worker produces more. The reasons for this greater productivity – capital accumulation, private ownership, tools, and the like – are fairly well known. The point is that high-level consumption is based on high-level production and exchange – on abundance, not on scarcity.

Trade between individuals, of course, would never take place unless each party to the trade expected to benefit from the exchange. When two men voluntarily agree to trade horses, it is certain

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that each believes he is to get something better than what he is to give up. Why else would either consent to the trade?

There seems to be a general feeling that when money is exchanged for, say, an automobile, it is only the seller of the car who benefits. But doesn't the buyer benefit as well? Doesn't he value the car more than the money he gives up? If not, why does he willingly make the exchange?

Is it any different when the bargaining parties happen to live in different cities? Or in different states? Or in different countries?

Throughout history, and to a dramatic degree in the past one hundred years, men have become specialists. Suppose, for instance, that each person had to produce his own television set. Life just wouldn't be long enough for him to do it. He would have to be an electronics engineer, a mining engineer, a metallurgist, a cabinetmaker, a glass manufacturer, a machine-tool maker – there must be hundreds of skills involved in building a television set.

But while he was mastering the skills necessary to produce his television set, who would provide him with food, clothing, and shelter? And how could he learn of electronics without books and the accumulation of years of research?

Not many decades past, practically every working hour was required just to provide the food, clothing, and shelter necessary to keep alive. Most people were farmers. There was precious little besides the products of the farm available to families, for the simple reason that eight or nine out of every ten families had to work as hard as they could to feed and clothe the ten families. Specialization? Yes, they had it in a limited way. But today in the United States it requires little more than one family in ten to produce enough food and fiber for all ten families. The other nine families can make television sets, automobiles, household furnishings; they can be teachers, doctors, clergymen, or producers of a host of other goods and services.

### *Comparative Advantage*

Specialization is made possible by what economists call "comparative advantage." We see this clearly in athletic events. Some persons are better than others at throwing a ball or batting a ball or passing a football or playing tennis or running or jumping. They have a comparative advantage and thus are specialists. The same is true of writing a novel, operating a typewriter or a punch press, or treating a disease.

Comparative advantage is some-

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times the result of geography. A clear example is the production of bananas. Bananas can be grown under glass in the state of New York – and a few are. Of course, they are very expensive when grown this way. Through the cooperation of nature, bananas are grown at much less cost in Central America. That area, then, has a comparative advantage in the growing of bananas.

In a free, competitive market, the price of a commodity or service depends on what someone is willing to pay for it. So it is with the wages of labor. The employer must be willing to pay if he wants men to work for him. How much he will pay will depend on the labor market and indirectly on how much his workers can produce.

Therefore, we find relatively high wages in a country where the productivity of the workers is high. Where we find an extremely low level of wages, we can be sure that the productivity of the workers is low.

The reason for such a tremendous difference in the production of workers in different countries can be told very briefly in one word, *tools*. Tools include plant and equipment, as well as the actual machines the worker operates. In the United States, it now requires an average investment of $16,000 to $20,000 to provide one industrial worker with tools. Some modern industrial plants cost as much as $100,000 for each worker employed there. Contrast this with a hoe or wheelbarrow used by a Chinese worker.

### *The Consumer Reigns*

In an economic sense, the only reason for producing anything is to satisfy the desires of consumers. This idea seems simple enough, but it is often lost from sight as an economy becomes more and more complex and specialized. In a subsistence economy, where the producer is also the consumer, production is obviously for consumption. In such an economy, the family is acutely aware that it must produce food in order to eat; to provide its clothing, sheep must be raised or fur-bearing animals hunted. The family is both producer and consumer of everything it has.

The consumer is, in effect, the court of last appeal in a free market. He is the judge who convicts or acquits. He either accepts or rejects the goods and services offered – taking into account his own desires, his buying power, and the alternate products available. He cares not a whit, at the moment, what it may have cost someone to produce the goods.

To ignore these decisions of the

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consumer is economic suicide – witness the demise each year of business firms which were guilty of ignoring or misjudging the consumer.

So, we know why people trade; we know the importance of specialization and trade in providing people with an increasing amount of the material things they like; and we know that the only reason production and trade take place is to serve the consumer. With this background, let's take a look at some of the road blocks that sometimes get in the way of trade – that prevent a consumer from making the best possible exchange of whatever he has to offer for whatever it is he wants.

### *Trade Barriers*

Years ago, piracy on the high seas was one of the road blocks to trade. Goods that got through had to bear the cost of those that did not. As a result, consumers got less for their money, or whatever it was they traded, than if there had been no piracy.

There are many kinds of road blocks today – most of them thrown up by governments – either in the exporting country or the importing country or both. Tariffs are just one of these road blocks and probably not even the most important at this time. However, tariffs are pretty simple and once one has an understanding of them, other types of restrictions can be more easily understood.

Probably the most common argument in defense of tariffs is that they keep our domestic wages high; that they keep wages in this country from being reduced to the level of wages in the countries from which we import. It is often put this way: "Tariffs protect us against the competition of low-paid foreign labor. If we accept their goods, we must accept their wage levels."

To begin with, we must not lose sight of the reason why wages in this country are higher than in some others. The level of wages depends upon the productivity of the workers. Our workers are highly productive, largely because of the tools with which they work. In countries where there is a limited accumulation of capital, the tools of the workers are limited. Thus, their productivity is low, and so are wages.

The level of living in a nation depends upon the amount of goods and services available for consumption. If certain individuals in a nation voluntarily trade some of their possessions for the products of another country, it follows that what they receive is worth more to them than what they give up. Otherwise, they would not trade. The total value

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of the goods and services available for consumption is greater after the trade. The level of living has been raised.

Consider, for a moment, a product made entirely by hand labor. Hand embroidery or other needlework will illustrate. Assume that a woman in Italy working for a very low wage can turn out handmade needlework comparable to that produced by an American woman working for a relatively high wage. It is obvious that the Italian product can be sold in this country for less than it would cost to produce it here. Does that mean that if we import the Italian product the American woman's wage will necessarily be reduced to the level of the Italian woman's wage? Not at all. Why is the wage of the American woman high? It is because of the generally high productivity of American labor, which makes it possible for her to get a high wage in an industrial plant, in an office, in a profession, or in some other type of employment.

It is true that, without trade barriers, hand embroidery probably would be imported from Italy. The American producer of hand embroidery, unable to produce and sell a comparable product at a competitive price, would have to turn to producing one of the many products for which a comparative advantage exists. The American producer might, for example, turn to machine production of an article to replace hand embroidery.

This is typical of the readjustments which would be necessitated by a return to free trade. Workers and management alike, having become adjusted to production under tariffs, would have to improve their efficiency or find other outlets for their skills.

Tariffs encourage the production of some things in which the country lacks efficiency and discourage other lines of production in which the country has a comparative advantage.The total value of production, so far as consumers are concerned, is less than it would otherwise be – and this means that real wages are held down by reason of tariffs. So, rather than *protecting* domestic wages generally, tariffs *lower* real wages in all countries affected.

### *The Unemployment Issue*

That is all very well, you may say, but wouldn't a free trade policy lead to unemployment? The prevention of unemployment is one of the usual arguments for tariffs.

This argument is expressed in a number of ways. One is that the removal of a tariff, after an industry has become adjusted to it,

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will result in unemployment. Another is that by means of tariffs we can put our people to work making the things we now import and thus create employment. Some say: "We do not want such-and-such a country exporting its unemployment to us."

We have observed that if a tariff is removed, a protected industry may be forced out of business by foreign competition. If this happens, the workers in that industry will have to find employment elsewhere. In the embroidery illustration, it is not denied that the existence of the tariff permits some workers to be employed in embroidery manufacturing who would not otherwise be so employed. But what is often lost sight of is that many other job opportunities not now in existence would become available in this country if people could buy the imported embroidery and spend their tariff money as they please. The money which the consumer formerly had to pay for tariffs could be spent to purchase or produce new products or more of existing products or services.

Tariffs turn a country toward self-sufficiency. A farm family might erect such a high tariff wall around its farm that there could be no trade in goods and services with outsiders. Certainly, no one would be unemployed on that farm, but neither would there be the high level of living the family now enjoys. If the tariff wall around the farm were removed, no one would necessarily be disemployed, and the farmer's household would enjoy a vastly higher level of living – and so would outsiders.

The question of employment or unemployment, except for temporary adjustments, has no place in a consideration of tariffs. It would be as logical to argue that the buggy whip industry should have been subsidized in order to keep its workers employed when there no longer was a demand for buggy whips.

The pattern of production within our own country is perhaps the best illustration of how free trade builds a higher level of living. Steel is produced in Pittsburgh, automobiles in Detroit, cotton in the South, meat and grain in the Midwest and the Great Plains, shoes in St. Louis, clothing in New England and New York – just to mention a few of the products and areas of specialization.

"Yes," you may say, "but tariffs don't completely shut off trade." True, but they shut off trade to whatever extent they are effective. The effect of a tariff on wool is that we must employ more of our domestic resources in the production of wool than would be neces-

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sary if we imported more of it. A tariff on Swiss watches encourages the production of watches in our own country because it prevents their importation at a lower cost. And by keeping prices higher, such tariffs reduce our consumption of wool and watches.

Another argument for tariffs is that new industries cannot survive if they must compete with firmly established industries in other countries. It is said, "Give them a chance to get established, and they can then compete."

History has shown that protection in the form of tariffs imposed to protect infant industries is difficult, if not impossible, to throw off. The protected infant never grows up to attain self-responsibility. And little wonder! In any industry, protected or not, there are firms which are barely able to stay in business – even though other firms in the same industry are operated profitably. If the crutch of tariffs is removed, these marginal producers must either improve their efficiency or go out of business. If they can do the former, why didn't they do it before the crutch was removed?

Those who use the infant-industry argument appear to place emphasis on the virtue of industry, as such, rather than on the goods produced. They seem to be confusing means and ends. We must not lose sight of the fact that *consumption is the sole end and purpose of all production.*

### *Advantages of Free Trade*

What, then, are the chief advantages of free trade?

The elimination of trade barriers would have three very important beneficial effects:

1. It would permit our economy to gain from the specialization and comparative advantage in production to be found all over the world.

2. It would help the so-called underdeveloped areas of the world to help themselves. It would give them a better chance to produce and trade.

3. It would be the best way to cement friendly relations between Americans and other peoples all over the world. How can one individual become angry with another when they are permitted to trade freely and voluntarily, knowing that both parties to the deal will benefit? In such trade, there is no danger of secret diplomacy, of playing special favorites, of handling other nations as pawns – pitting one against the other to seek a gain or even to attempt a precarious balance.

But what can we do about all these trade restrictions – not only tariffs but all the others? Isn't it a difficult political problem? Of

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course it is, and it requires political answers – unfortunately. I say unfortunately because, too often, a political solution may not be the best economic solution.

The will to remove restrictions on trade can come about only through understanding – through the realization that restrictions do not yield the benefits claimed for them. Worse than that, they are harmful – harmful economically and harmful to the cause of peace, friendship, and good will, at home and abroad.

On the surface, tariff protection seems to offer benefits to the owners and workers of a protected industry. When a tariff is first applied, the producers of the particular product affected have a price advantage which should be reflected in higher profits. But tariffs do not prohibit domestic competition within an industry. The higher profits attract newcomers to the field, and competition tends to erase the gains from the special privilege. After this happens, the producers are back in their former competitive position. In order to maintain any benefit, they will have to continue to ask for new privileges as the old ones lose their power – much as a drug addict must use more and more of the drug to avoid the suffering it is supposed to relieve.

Thus, the so-called "benefits" of tariff protection are illusory – the only consequence of the tariff being that the domestic owners and workers are competing with one another in an industry erected on a false base. The base is false and weak because it is supported by the threat of force – force which directs individual spending – instead of by voluntary choices. The force is directed against consumers, the friends and neighbors of those who seek special privileges for themselves. But consumers do not respond kindly to force or threats of force. They have only so much buying power, and they cannot be forced to buy more of everything. Nor will they buy a commodity as freely as before if its price is forced upward by a "protective" tariff. Thus, tariffs serve merely to put the whole economy on an artificial foundation instead of on a sound business foundation. No one really gains – and nearly everyone loses – by this arrangement. It stifles progress.

### *The Pain of Adjustment*

Adjustments such as those which would be required by the removal of tariffs are taking place constantly in a free economy. When the automobile made its appearance, the operators of livery stables and the manufacturers of buggies were inconvenienced. They had to turn to something else. But

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they soon found themselves benefiting in two ways: First, as consumers, they benefited generally from the automobile; and second, the new job opportunities within the new and expanding automobile industry were more attractive than those in a dying industry. Thus, the removal of trade restrictions would not be as painful as it may at first appear—even to those who think they benefit from them.

To argue that tariffs cannot be removed when an industry or a nation has become adjusted to operating under trade restrictions is no different in principle than to argue against all technological change and advance.

Such arguments indicate, however, that it is politically difficult to remove restrictions once they have become established. Powerful minority interests vigorously withstand changes of this type. "Tariffs should be removed gradually," say some, "in order not to offend too severely those who have a direct interest in the protected industry." This overlooks the persons who have long been offended by not being able to exchange to advantage. It argues that the offense to the consumer may be continued without injustices.

A familiar argument is: "We are willing to give up our protection if all others will give up theirs." As a political argument, this is fairly effective since it is practically impossible to face the combined forces of all minority groups. Economically, of course, the argument has no validity. The way to begin is to begin. The amount of human energy released by the removal of restrictions will be astounding.

### *Each Small Exception Justifies the Next*

Perhaps the greatest obstacle to the removal of trade barriers is the belief expressed by small groups of producers: "Yes, but our case is different; an exception should be granted in just this one instance." Grant a single exception and the floodgates are opened to all sorts of pressure groups. The result will be a continuation of the political chaos which we now find in the area of trade restrictions.

Basically, the issue of tariffs and other trade restrictions is a moral one. This is not to deny that it is also an economic issue. It is merely a matter of emphasis. Unless economic principles are in harmony with good moral principles, they are not good economics.

Government grows strong and dictatorial by the granting of special favors. Trade restrictions are just another of the handouts which a government can grant, thereby increasing its power over

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individuals – to the detriment of all.

The moral basis for free trade rests on the assumption that an individual has the right to the product of his own labor – stealing is bad because ownership is good. This involves property rights. Property rights are human rights, and to try to distinguish between them is merely to play with words – and on emotions.

The right to own property involves the right to use it, to keep it, to give it away, or to exchange it. Unless this is possible, one does not own property. To lay obstacles in the path of ownership, use, or exchange of property is a violation of the human right to own property.

### *Fallacy and Fact*

Economists from Adam Smith down to the present have quite generally agreed that tariffs are bad economics. And it is not difficult to discover why.

Tariffs and other trade restrictions contribute to scarcity rather than to abundance. We are sometimes fooled by the introduction of money into trade; but basically, it is the abundance of goods and services, widely distributed, that contributes to a high level of material well-being.

There is ample evidence that a high level of living in any country cannot be achieved without a high degree of division of labor – specialization. Rather than a jack-of-all-trades, each person is the master of one. This calls for a high degree of cooperative effort and exchange. Production by this process rests on the principle of comparative advantage – of production where conditions are most favorable.

A fallacy of protectionists is that employment, of itself, is a worthy economic objective. Employment, however, is merely a means to an end – and the end is production for consumption. No doubt employment was high during the building of the Great Wall of China or the Pyramids of Egypt. A dictator can always achieve full employment. Hitler did it in Germany; and we had our leaf-raking projects.

But under freedom – freedom to produce and to trade voluntarily – men will have just as much employment as they desire. Actually, tariffs have nothing to do with employment. Employment can be high or low – with or without such trade restrictions. Tariffs do not create better jobs for individuals. They simply tend to keep people working at jobs which are less productive of useful goods and services than they would be under free trade.

Protectionists have claimed

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that wage levels can be maintained or increased by shutting out imports from areas with low real wages. Wage levels are determined by the productivity of labor. This, in turn is determined by the investment of capital in the tools of production. The products we import are more valuable to us than our exports; otherwise, the trade would not be made. Rather than produce the imported product here, our own labor is released to produce something we are better fitted to produce.

Failure to recognize that satisfaction of desires is the sole purpose and end of production has led protectionists to support tariffs, subsidies, and other measures. Had we consistently followed such a policy, we would now be subsidizing 80 per cent of our population in agricultural pursuits, as well as in the manufacture of buggy whips and candles. Economic progress cannot take place under such a system.

The removal of tariffs restores justice to consumers – to millions and millions of consumers. The fact that it may seem to result in a temporary inconvenience for a few producers is merely the correction of an injustice previously established.

Free trade is such a simple solution for so many of the world's ills. It doesn't require endless hours of debate in the United Nations or the International Labor Organization or the Food and Agriculture Organization, or any other world-wide debating society. It requires only that *one nation* see the light and remove *its* restrictions. The results will be immediate and widespread.

It isn't necessary for all nations to agree jointly and simultaneously to remove restrictions. If only one nation does it, some good is accomplished – both for itself and for its customers. A great nation, such as the United States, could do it and thus set an example for others to follow. It would not be meddling in the affairs of other nations; it would merely be looking after the best interests of its own citizens. And instead of being resentful, other nations would be grateful. ◈

***Ludwig von Mises***

WHILE government has no power to make people more prosperous by interference with business, it certainly does have the power to make them less satisfied by restriction of production.

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# DESPAIR NOT!

The late Isabel Paterson, whose *The God of the Machine* has just been reprinted by the Caxton Printers of Caldwell, Idaho ($4.95) with an appendix which lists the books in Mrs. Paterson's library, was neither a professional economist, nor a political scientist, nor a historian, nor yet a sociologist. But she was a superb logician, and because of this fact *The God of the Machine* remains just what I said it was when I reviewed it for *Harper's Magazine* in 1943, "the first clear piece of sustained primary political thinking that has appeared in ages."

Rereading *The God of the Machine* twenty years after its first appearance, one is particularly conscious of two things, one hopeful, one that is only productive of despair. The hopeful thing is that an important seminal book does not have to be widely popular to have a prodigious effect. The despairful thing is that the same important book can continue to be ignored by established institutions even after it has made its way among thinkers who are not linked to the hierarchies that control most of our important social and political activities.

Mrs. Paterson operated in the field of logic because she considered that none of our modern disciplines could be made worth while until people had learned how to use words and categories with due regard to their actual meaning in a world of physical reality. Her attack on the fallacies of socialism, for example, began by holding Proudhon's maxim, "All property is theft," up to the light. Theft, said Mrs. Paterson in swift rebuttal, presupposes rightful ownership, for "an object must be property *before* it can be stolen." After such a succinct and powerful demolition of the whole bent of Proudhon's thought, is there anything more that need be said?



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Since such epigrammatic utterance is condemned by our self-appointed Best Minds as "shooting from the hip," Mrs. Paterson made it a habit to follow up her barbs with some fairly detailed logical analysis. The reason for private property, she told the Proudhonists and the Marxists, goes back to the physical law that says two bodies cannot occupy the same space at the same time. Individual ownership is dictated by the "conditions of physical phenomena," whereas "public ownership" must inevitably be a fiction simply because its verbal terms do not correspond to the conditions of time and space.

Nobody, so Mrs. Paterson reminded us, could live in a house if the general public were free to go in and out at will, to sleep in the beds, or to cook in the kitchen. There would have to be an allotment of the space and the facilities. If the allotment were to be made in perpetuity, under a theory of inalienability, it would be a mark of private property creeping back in. Otherwise, the occupant of bed and kitchen would be sleeping and cooking by permission. Thus Mrs. Paterson made her logical point: in a world of public ownership, one lives by permission. In such a world one can make out rather well if he happens to be on an important committee, or knows how to get next to the official dispenser of favors. But woe to the individual under socialism who is not gaited to rise in the political world or to fawn on those who have already attained to political power.

### *Clichés Examined*

Twenty years after Mrs. Paterson wrote her book one still hears labor leaders arguing that property rights and human rights are mutually exclusive categories, and that production for profit and production for use are at polar extremes from each other. The despairful thing is that, despite Mrs. Paterson, the labor leaders still carry conviction. The deduction to be made from this is that our schools have been incapable of teaching logical analysis to all the generations that have grown up since 1943, when Mrs. Paterson first demonstrated that production for profit and production for use are one and the same thing. She did this by following a farmer into his potato patch. There would be no sense to planting a seed potato in the spring, she said, if it were not to result in many more potatoes in the fall. The multiplication of his potatoes is the profit the farmer gets from his deployment of energy and capital. And it is, at the same time, the source of what the farmer

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must use to live and add to his capital. He may not eat the potatoes himself, but someone else will eat them – and by this "use" they will sustain their own lives.

### A Circuit of Energy

To Mrs. Paterson, civilization was to be likened to a "long circuit of energy." To keep the circuit operating with complicated hook-ups, the individual had to be left free to make his own decisions about plugging in. A good part of *The God of the Machine* is devoted to historical exposition, accompanied by shrewd analysis of the contributions of the Phoenicians, the Greeks, the Romans, the medieval church, the English, and the creators of the American Federal Constitution, to the making of a free society. Since Mrs. Paterson was one of the closest reasoners in the world, it is impossible to put the gist of such chapters as "Rome Discovers Political Structure" or "The Function of Government" or "The Meaning of Magna Carta" into a few paragraphs.

Briefly, however, a government, if it is to encourage the inventive and productive man, must agree that the rights to life, liberty, and property are inalienable. The man who is not free to think, to own, and to produce is not free to live. The function of government is to protect a man on his physical base (property), to safeguard him in his contractual relations with other individuals, to represent him in dealing with other nations (the power of the border), and to render impartial justice. In her exploration of the function of government Mrs. Paterson found herself talking about money, about the "flaw" of slavery, and about the need for architectural structure (the "motor" of the individual, the "brake" of the political power, and the correct combination of regional and mass representation).

### Religious Foundation

Mrs. Paterson's book deals exhaustively with mechanisms, but the fundamental approach is not mechanistic. Unlike Ayn Rand, whose novels appealed to her because they had great force as inspiriting fables, Mrs. Paterson was fundamentally religious. The Second Law of Thermodynamics says that the universe is "running down," and will end as a dead aggregation of heatless and motionless particles. But to Mrs. Paterson it was only rational to suppose that there must be a God (or First Cause) to wind universes up so that they may run down. She saw the human being as constituting a continuing exception to the Second Law of

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Thermodynamics. It was obvious to her that a human being possesses the faculty of choice, that he has the power to become a creative person, and that he is in charge of his machines, and not vice versa. The principle of the dynamo inheres in nature, but man himself makes the dynamos and keeps them in running order. Thus Mrs. Paterson's answer to Henry Adams, who saw the "Virgin" (the thirteenth century embodiment of grace and free will) giving way to the mechanistic twentieth century.

The "Virgin" is still with us. She turns the dynamo on and off. ◈

▸ JOHN ADAMS by Page Smith (New York: Doubleday & Co., 2 vols, 1170 pp., 1962, $14.50).

*Reviewed by Robert M. Thornton*

JOHN ADAMS had one of this country's best political minds, and was one of the few men active throughout the entire twenty-five years that witnessed the birth of the Republic, 1764-1789. With James Otis and Cousin Sam he was among the first to advocate separation from the British Crown; he was a delegate from Massachusetts to the first meetings of the Continental Congress; he was on the committee chosen by the Continental Congress to draw up the Declaration of Independence from Great Britain; he represented the colonies at the French court, in Holland, and later in drawing up the peace treaty with Great Britain that ended the war for independence; he was our first ambassador to the Court of St. James after hostilities ceased and he wrote at length in favor of forming a nation of the thirteen colonies under a constitution; he was the first Vice-President of the United States of America, and the second President.

After the Revolution he was often accused of being a monarchist, of no longer holding to the ideas that led to the separation from Britain; he retorted that not he but some of his fellow-revolutionaries were false to the cause of individual liberty. Adams believed (as Page Smith phrased it) that "only those should make revolutions who cared, next to justice, for order. The careless, the hasty, the fanatical, the recklessly impatient – they brought destruction and ruin more often than happiness. Those ardent revolutionaries who killed particular men because they loved Man in the abstract put a dark curse on the ideals they professed and com-

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promised the causes for which they themselves were quite ready to die."

**Tyranny of the Majority**

While Mr. Jefferson and others were concerned with the dangers of an all-powerful monarch, Adams (and many framers of the Constitution such as James Madison) worried about the possible tyranny of the majority. As his biographer writes:

To say that they had equal rights before the law and equal opportunities to advance in the world was one thing, but this querulous contention that breeding, education, experience, manners, character and property counted for nothing was troubling and dangerous. It was the same spirit which held up single-branch legislatures as the model of popular government where the will of the people was expressed directly, unencumbered by judges and executive officers. Indeed, the "leveling spirit" looked askance on law and lawyers. The will of the people was the magic phrase. The people, by this new doctrine, were naturally and inherently good. It thus followed that restraints and inhibitions on their actions were bad. If the people wished this presently and something else tomorrow, what right had law to gainsay them? This was, in Adams' view, a most insidious dogma. It was government by men, not by laws, government in which order and stability yielded to whim and fashion, in which the tyranny of the majority might at any moment topple the safeguards that protected the life, liberty and property of a minority of the community.

Page Smith has done a truly fine job of presenting the life of our second President—the first biography of Adams since release of the Adams Papers in 1954 and, with the exception of Gilbert Chinard's *Honest John Adams* (1933), the only full treatment of the man by a historian in this century. Were it not so long, one could imagine Smith writing this book at one sitting without so much as a pause to catch his breath—it is that sustained and steady an effort. It is heartily recommended to all who might seek some clarification of current affairs by going back to the early days of our nation which were no less critical than our own. And it is most refreshing to read of this man who of all the giants of his time we can perhaps know best. If Mr. Jefferson ever put his innermost thoughts and feelings in writing, he carefully destroyed all the papers before his death. Adams, on the other hand, seems never to have thrown anything away—letters, diaries, commonplace books all written in perfect frankness and unedited by the writer!

This book should put John

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Adams in his rightful place beside Washington, Jefferson, Madison, Franklin, and Hamilton. Paraphrasing Adams, Page Smith writes: "The revolutionary crisis drew forth the devoted and able and with them the emotionally unstable, the meanly ambitious, the zealots and the simple cranks." That John Adams was among the former, this book makes clear without a doubt. ◈

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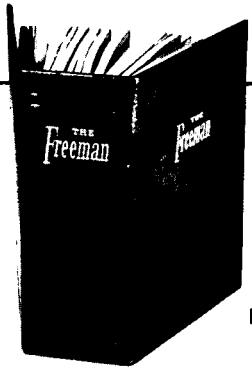


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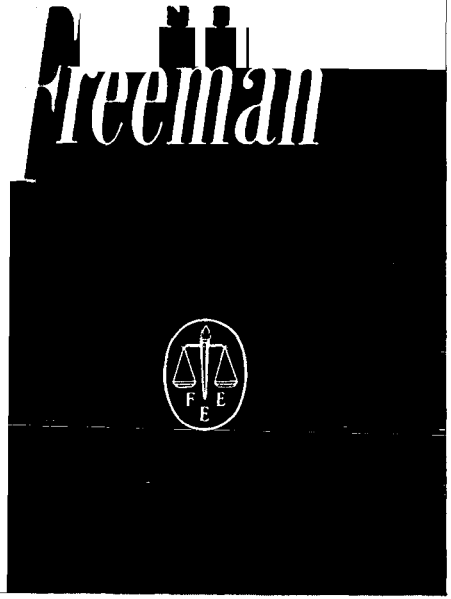


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## EAST AND WEST

■ The reformers of the oriental peoples want to secure for their fellow citizens the material well-being that the Western nations enjoy. Deluded by Marxian, nationalist, and militarist ideas they think that all that is needed for the attainment of this end is the introduction of European and American technology. Neither the Slavonic Bolsheviks and nationalists nor their sympathizers in the Indies, in China, and in Japan realize that what their peoples need most is not Western technology, but the social order which in addition to other achievements has generated this technological knowledge. They lack first of all economic freedom and private initiative, entrepreneurs and capitalism. But they look only for engineers and machines. What separates East and West is the social and economic system. The East is foreign to the Western spirit that has created capitalism. It is of no use to import the paraphernalia of capitalism without admitting capitalism as such. No achievement of capitalist civilization would have been accomplished in a noncapitalistic environment or can be preserved in a world without a market economy.

LUDWIG VON MISES, "Human Action" (1949)

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